

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
August 11, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Thursday, 11th day of August 2022 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:07 a.m. with Mr. Morris Deputy, Board Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Board Chair
Representing Middletown
Andrew Haines, Director
Representing Smyrna
Tom Coleman, Director
Representing Newark
Dave Del Grande, Alternate
Representing Newark
Mark Whitfield, Director
Representing Milford
Lou Vitola, Alternate
Representing Milford
Charles Anderson, Director
Representing Seaford
June Merritt, Alternate
Representing Seaford
Mary Ellen DeBenedictis, Director
Representing Clayton
Rob Cote, Alternate
Representing Clayton
Austin Calaman, Director
Representing Lewes BPW
Kim Bellere, Alternate
Representing Lewes BPW
Kimberly Schlichting, President
Representing DEMEC

Absent:

Dr. Roy Sippel, Alternate
Representing the MSC of New Castle
Tyler Reynolds, Alternate
Representing Middletown
Scott Blomquist, Director
Representing the MSC of New Castle

DEMEC Staff Attending: Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Chief Financial Officer & Interim COO; Kendra Friel, Training & Events Coordinator; Bruce Kitchens, Special Projects Manager; Scott Lynch, VP of Asset Development; Chris Manganelli, IT Network Technician; Mark Pryor, Plant Operator; Stephan Siok, Director of Beasley Plant Operations & Compliance

Guests and Attendees: Tony Chipola, Electric Director, City of Milford; Max Walton, Attorney, Connolly Gallagher; Lincoln Willis, Principal, The Willis Group; Richard Wright, Customer Service Manager, Town of Smyrna

Mr. Deputy started the meeting by noting DEMEC's CEO review will be captured under "POTENTIAL ACTION TO BE TAKEN AFTER EXECUTIVE SESSION" and will be discussed in detail during Executive Session.

APPROVAL OF MINUTES

The minutes of the following meeting(s) were presented for approval:

1. Special Meeting Minutes of May 3, 2022
2. Minutes of May 10, 2022
3. Minutes of June 21, 2022
4. Special Meeting Minutes of July 12, 2022

Upon motion made by Smyrna, to approve the minutes en bloc, seconded by Clayton, the motion passed unanimously.

TREASURER'S REPORT

Monthly Financial Report – May 2022 –

Ms. Stephanie Dove, Chief Financial Officer and Interim COO reviewed the May 2022 Financial Report. The months of June and July will be presented at the next meeting. She noted that May demand saw 6.2% growth over last year, mainly due to higher temperatures. Year to date demand growth was 2.8% higher. May demand closed at 1.6% above budget.

Unrestricted cash on hand is still being inflated by collateral deposits. Significant amounts of collateral were returned to suppliers and posted to PJM during the month of May, resulting in a perceived drop of cash on hand. Projections of true unrestricted cash on hand are holding steady.

The Rate Stabilization Reserve (RSR) saw a charge, which she stated is typical for May. A credit is expected June-September. When the market is high, the charges and credits are also high.

Ms. Dove reviewed income through May, which was 49% greater than that of last year, mostly due to PJM market generation and revenue which was significantly higher than the previous May. She explained several reasons for the increase. At the end of May there was a net loss due to staff recording depreciation and unrealized investment losses quarterly. However, when compared to how income was calculated previously, figures are positive and on par with the previous May.

Under Summer Demand Forecast, Ms. Dove noted anticipated demand was up 3.6% over June 2021. Short term summer predictions were that average temperatures would be 2 to 3 degrees higher than normal. Wetter and stormier weather are being experienced as predicted, resulting in Beasley running more frequently. The remainder of summer is expected to be the same.

The Series 2022 Bonds for the New Castle and Middletown AMI projects closed in July. Ms. Dove reviewed important dates in this process and thanked the board for attending a special meeting to approve the bond rate lock, avoiding significant additional costs from interest rate increases. She thanked the MSC of New Castle and the Town of Middletown for their assistance in keeping the process moving.

In the finance update, bond continuing disclosures for the 2019 and 2021 Series were both due on June 30th, with the 2019 Series filed timely. Ms. Dove explained that a partial filing of the 2021 Bond Series was filed at the recommendation of bond counsel, noting that data is needed from some members to complete the filing. If the necessary data is received in August, the process can be completed in September. She also noted that the 2021 Series debt service payment was paid on time.

Staff is currently working with PJM and PNC to post a letter of credit for collateral. Once posted, staff will request PJM return collateral cash being held for FTR auctions to hedge on congestion.

Ms. Dove reviewed current pipeline projects and encouraged members to come forward with any anticipated projects.

Mr. Andrew Haines, Director representing Smyrna, suggested DEMEC staff make note that Smyrna is considering a new substation in 2023. He offered what information he had. He, Mr. Tom Coleman, Director representing Newark and Vice Chair, and Ms. Dove discussed this project and a similar one that may be coming to Newark.

Mr. Deputy noted Middletown has identified a site with Delmarva for their project. He and Mr. Coleman briefly discussed. Ms. Kimberly Schlichting, President & CEO, reminded members that a meeting is scheduled with DPL on September 30th. She advised that these conversations be taken up with DPL senior leadership at the meeting.

Upon motion made by Seaford, to approve the Monthly Financial Report for May 2022, seconded by Lewes, the motion passed unanimously.

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

None.

RESOLUTIONS

Resolution 2022-4 Adopting GASB 65 Treatment for 2022 Bond Issue Debt Financing –

Ms. Dove reviewed Resolution 2022-4 Adopting GASB 65 Treatment for 2022 Bond Issue Debt Financing. She noted it allows DEMEC to expense the cost of issuance. Greater detail and background information was shared. A brief discussion ensued.

Upon motion made by Smyrna to approve Resolution 2022-4 Adopting GASB 65 Treatment for 2022 Bond Issue Debt Financing, seconded by Newark, the motion passed unanimously.

COMMITTEE REPORTS

Executive Committee –

Mr. Deputy noted the committee met today and agreed on a President & CEO evaluation policy that will be presented in Executive Session and will be voted on upon return to regular session. The DEMEC staff salary plan and wage scale were also reviewed, with consideration given to Newark's plan and the recent Baker Tilly study.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford and Board Treasurer, reported that the Finance Committee will meet on August 23rd.

PRESIDENT'S REPORTS TO BOARD

Recognition of Employees –

Recognition of New Employees –

Mr. Schlichting introduced DEMEC's new employees listed below, offering a brief biography for each, their titles, and an overview of duties.

Mr. Chris Manganelli – IT Network Technician

Mr. Bruce Kitchens – Special Projects Manager

Mr. Mark Pryor – Plant Operator

Legislative Update –

Mr. Lincoln Willis, Principal, The Willis Group, and DEMEC lobbyist presented to the board a summary of the most recent legislative session. It was an extremely busy legislative session coming off of 2021 where COVID limited bills passing. SB 1 – Paid Family Medical Leave Act – will impact member communities. Mr. Haines brought up amendments that will be needed in the future as negotiations for contracts move forward. Mr. Willis agreed that amendments are likely as the process and implementation is flushed out.

The State's General Budget was approved at \$5.19 billion, hitting record numbers for both the budget and the bond bills, on top of \$1 billion in federal funding. Mr. Willis explained that very little of the federal funding has been used in certain areas. He recommended that members who have projects out there that could use the federal funding from COVID to keep an eye out for possible extensions in funding availability.

The Energy Stakeholders Group run by Sen. Hansen met to work out the details of energy legislation brought forth during session. Participants including the Sierra Club, utilities, and others

ended up on the same page for some significant legislation. This process allows legislation to get through the General Assembly much faster after going through the stakeholder process. DEMEC was able to be involved in establishing the foundation for net-metering definitions and calculations ahead of net-metering 2.0 discussions. Ms. Schlichting reminded the board of the four initial asks going back to at least 2015 relating to net-metering. DEMEC asked these of a previous senator year after year with no change. The net-metering legislation that passed this session met all four asks to provide the technical corrections necessary to protect members and their customers as discussions move forward.

Mr. Willis also reminded the board that this is an election year. This being the first election cycle after redistricting, every legislative seat is up for re-election. Some significant primaries include a 5-way primary in Smyrna due to Sen. Ennis retiring. Primaries are also happening in the Newark area. Mr. Willis recommended the board to keep close attention to the races in the areas as there are a lot of unknowns this election cycle. He offered assistance to those interested in reaching out to whomever wins in their districts.

Mr. Austin Calaman, Director representing Lewes BPW, asked Mr. Willis about the impact of legislation like HB 435 – the Community Workforce Agreement Act. Mr. Willis stated that it would impact bid prices if it passed. He fought the bill on behalf of other clients and did not feel DEMEC needed to get involved at that time. Discussion about impacts and costs ensued.

NEM Policy Update Memo –

No discussion.

UD/SEU Grid Modernization Survey –

Ms. Schlichting asked Mr. Willis if he has any updates on the capacity hosting study. An update was asked to be provided in executive session.

EXECUTIVE SESSION

The Board went into executive session at 10:46 a.m. upon motion by Newark, seconded by Lewes, to discuss the following:

1. To discuss legislative updates.

The Board ended executive session and returned to regular session at 11:21 a.m.

RETURN TO REGULAR SESSION

Joint Training Yard –

Ms. Schlichting stated that DEMEC is waiting for the last permit from Kent Conservation District so that the Town of Smyrna can finalize their permit approval. DEMEC staff and TVPPA will be meeting with the steering committee to review the lineworker assessments on August 16th.

Indian River –

DEMEC is partnering with two other groups in our settlement asks to reduce the costs being put on utilities. Further detail will be provided in Executive Session.

Ms. Schlichting stated that staff is standing on the remaining reports:

- Communications & Outreach
- Training & Education Activities
- Sustainability & Development

IT UPDATE

Ms. Jennifer Coulbourne, IT System Administrator, reported to the board in Executive Session.

BUSINESS FROM THE FLOOR

A discussion was had about catering options for future events and trainings.

EXECUTIVE SESSION

The Board went into executive session at 11:26 a.m. upon motion by Clayton, seconded by Lewes, to discuss the following:

1. To discuss personnel actions, strategic business and commercial generation operations, dispatch, negotiations, and planning.

The Board ended executive session and returned to regular session at 12:26 p.m.

RETURN TO REGULAR SESSION

DEMEC President & CEO Evaluation Policy –

Upon motion made by Smyrna, seconded by Newark, to approve the President & CEO evaluation policy as discussed during executive session, the motion passed unanimously.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Wednesday, September 14, 2022 – 3:00 p.m.
(Annual Meeting. Meetings will revert to the 2nd Thursday of the month in October)
2. Thursday, October 13, 2022 – 10:00 a.m.
3. Thursday, November 10, 2022 – 10:00 a.m.

ADJOURNMENT

Upon motion by Newark, seconded by Milford, the Board Meeting adjourned at 12:33 p.m.