

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
October 13, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Thursday, 13th day of October 2022 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:09 a.m. with Mr. Morris Deputy, Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Chair
 Representing Middletown
Tyler Reynolds, Alternate
 Representing Middletown
Richard Wright, Alternate
 Representing Smyrna
Tom Coleman, Vice Chair
 Representing Newark
Dave Del Grande, Alternate
 Representing Newark
Scott Blomquist, Director
 Representing the MSC of New Castle
Mark Whitfield, Director
 Representing Milford
Lou Vitola, Alternate
 Representing Milford
Charles Anderson, Treasurer
 Representing Seaford
June Merritt, Alternate
 Representing Seaford
Mary DeBenedictis, Secretary
 Representing Clayton
Rob Cote, Alternate
 Representing Clayton
Kim Bellere, Alternate
 Representing Lewes BPW
Kimberly Schlichting, President
 Representing DEMEC

Absent:

Dr. Roy Sippel, Alternate
 Representing the MSC of New Castle
Austin Calaman, Director
 Representing Lewes BPW

DEMEC Staff Attending: Heather Contant, Director of Government & Community Relations; Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Vice President & Chief Financial Officer; Kendra Friel, Training & Events Coordinator; Bruce Kitchens, Special Projects Manager; Scott Lynch, VP of Asset Development; Chris Manganelli, IT Network Technician; Willie Marshall, Director of Finance; Temika Moore, Contract/HR Administrator; Mark Pryor, Plant Operator; Christine Siok, Assistant; 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.

APPROVAL OF MINUTES

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

1. Minutes of September 14, 2022

Upon motion made by Clayton, to approve the minutes of the meeting of September 14, 2022, seconded by Newark, the motion passed unanimously.

TREASURER'S REPORT

Monthly Financial Report – August 2022 –

Ms. Stephanie Dove, Vice President & CFO reviewed the August 2022 Financial Reports. The actual August demand is 2.1% higher than the prior August. Demand year to date is up 1.7% through August. DEMEC is on budget for demand in August at 1.2% above what was budgeted, which is attributed to honing in on load forecast.

The total Cash on Hand through August increased over the prior year due to collateral cash held. Ms. Dove reminded the board that it is more important to look at cash without the collateral deposits. Year to date, total cash and total unrestricted cash are both up over the prior year and July. July power supply bills were higher than June with those funds received in August. Most of the increase was attributed to the cash DEMEC brought in on August 16, 2022, when we posted the letter of credit to PJM. We had a slight increase in the Rate Stabilization Reserve (RSR) and the Gen Ops Reserve. All of these combined is making August cash increase over July and the prior August. Ms. Dove also reminded everyone that there is still significant cash posted with PJM for collateral. Even though DEMEC brought back a significant amount, there are still significant postings with PJM.

Ms. Dove noted DEMEC was able to put the cash from PJM collateral that was returned after the letter of credit back into the RSR for August. As predicted, credits were also placed back into the account for June through September. Power Supply costs are above revenues about 1%, which is attributed to Indian River. If not for Indian River, there would be larger credits in July and August, which will change on September 1st with the new rate adjustment reflected on the latest bill.

Ms. Dove reviewed income through August which is up over the prior year. Fremont and Beasley continue to be major contributors. The PJM Market and Generation Revenues were 136% higher than the prior August. Beasley had its best performing August since 2016. Power Supply costs were still 62% higher than the prior year, which is all PJM load costs. The Power Supply portfolio is very economical, but the PJM RTO charges that we cannot control remain high. The net income through the end of August increased over the prior August.

Under the Shoulder Month Demand forecast, Ms. Dove noted demand is down 2% over September 2021 due to the weather. Average temperatures are expected to be warmer, wetter, and stormier through November.

In the finance update, the expected draft form of the Series 2021 bonds was received on October 10, 2022. The final report should be received by the end of the month and will complete the final filing of 2021 bonds at that time. RFPs were distributed on September 6, 2022, and two responses were received. DEMEC staff will be meeting with PFM and results will be shared with the Finance Committee. Ms. Dove thanked the members for getting load forecast information to her in a timely fashion.

The Audit preliminary fieldwork is set to start during the week of November 21, 2022. Staff will meet virtually with Baker Tilly.

Ms. Dove ended with a reminder for members to keep her apprised of any projects coming down the pipeline.

Upon motion made by New Castle, to approve the Monthly Financial Report for August 2022, seconded by Newark, the motion passed unanimously.

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

None.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee –

Mr. Deputy noted there are a few items that will need to be discussed in executive session. The committee reviewed the early preliminary 2023 budget. A draft will be available in November for the board to review.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford and Board Treasurer, noted the next Finance Committee meeting is scheduled for November 15, 2022.

PRESIDENT'S REPORTS TO BOARD

Legislative Update –

Ms. Kimberly Schlichting, President & CEO, noted that DEMEC held a zoom meeting with members on October 4, 2022, to highlight the changes in the recent net metering legislation. The presentation was emailed and included in BoardPaq. The next Energy Stakeholders meeting will be held October 14, 2022.

Grid Modernization Survey –

Senator Hansen, Tony DePrima from the SEU, and Steve Hegedus from the University of Delaware will speak at the November quarterly board meeting on the nature of the distribution survey they requested members to complete.

Joint Training Yard –

Ms. Schlichting noted that DEMEC is still waiting on Kent Conservation District (KCD) for project approval. In expectation of receiving final permits and starting site work this year, poles and other materials have been recently ordered as the poles alone are estimated to take 8 weeks to arrive. The training program officially launched with Smyrna and Middletown lineworkers on site for training this week. Another training will be held next week that includes Smyrna, Middletown, and Seaford lineworkers.

The climbing class is scheduled for the first week of December. This is a 6-day course. Member lineworkers and Distribution Managers will be notified if they have not already received information.

Ms. Schlichting thanked the MSC of New Castle for putting up the temporary poles for the first two trainings. DEMEC will replace the poles provided by the MSC as soon as the order that was recently placed is received. The poles will be delivered directly to the MSC.

Another thank you was given to the Town of Smyrna who pulled last minute supplies from their inventory for the training being held that week.

Light Up Navajo IV –

The participation planning for 2023 is underway. DEMEC reserved the week of April 24, 2023, through April 28, 2023, leaving on Saturday, April 22, 2023, and returning the following Saturday or Sunday. As requested by Mr. Deputy, Ms. Schlichting will schedule time to present on the mutual aid initiative to Middletown lineworkers. Ms. Schlichting asked any other members to reach out to her so she can arrange to speak to lineworkers.

Indian River –

DEMEC held a zoom meeting on October 7, 2022 and presented to the Speaker of the House and both the Senate and House Energy Committee Chairs about the events leading to the higher costs that utilities are now paying for the decommissioning of Indian River and how the costs are being allocated to Delaware ratepayers. Ms. Schlichting provided recommendations for oversight to ensure the transmission line adheres to a timely construction schedule and encouraged them to work with leadership in Maryland to ensure any permits required for upgrading the line happen

quickly. While the load is mainly in Delaware, there is a bigger portion of the line in Maryland. Senator Hansen stated in the meeting that she will work with her contact in Maryland.

Ms. Schlichting stated that she received a notice yesterday that Exelon/Delmarva Power's Annual State of the Company presentation was made to the Delaware Public Service Commission yesterday. They mentioned, relating to the Indian River RMR transmission upgrade, an accelerated internal timeline for completion resulting in the project being completed a year earlier; from late 2026 to late 2025. Delmarva noted that they are exploring further ways to accelerate the timeline, but it will only take off a few months, not years. Ms. Schlichting thanked the members and noted their conversations are making a difference.

Ms. Schlichting continues to work with other industry partners to press PJM regarding gaps in communication to avoid this type of issue from happening again in the future. She also brought it up to Senator Hansen that while the legislature is focused on renewables and clean energy, other issues, especially transmission upgrades, that will be needed to support renewables cannot be ignored.

Ms. Schlichting talked about an offshore wind project for NJ. An article that was forwarded to her talked about the "horse trading" that will need to happen because the cost of the transmission line to meet New Jersey's renewable sustainability goals through offshore wind will potentially have to be allocated to other PJM members. The cost of this transmission line is expected to be in the billions. DEMEC and other stakeholders need to be involved and press PJM to ensure that the timeliness and cost allocation are reasonable and just.

DEMEC will be sponsoring the March 2023 Delaware League of Local Governments' monthly meeting to discuss Indian River further and inform other communities as to how this will impact their commercial entities, residents, and future economic development. DEMEC and Newark will be meeting with Bloom to hear their proposal regarding how Bloom boxed may reduce costs associated with Indian River.

The October 1st residential rate comparison is in BoardPaq. The movement in pricing from September 1st is noticeable. Delmarva Power used to be in the middle and now they are the highest. After discussion, it was decided to wait until November 1st to determine where all DEMEC members truly fall in the rate comparison after all adjustments are accounted.

DPL Meeting –

The DEMEC and DPL meeting was cancelled by DPL, and a new date is being explored. Members will be notified when a date is selected.

Personnel Budget –

To be presented next month.

Strategic Plan Update for 2021 - 2026 –

A redlined copy was provided in BoardPaq. Ms. Schlichting noted some edits include creating a culture of safety, commitment to mutual aid to enhance electric reliability, and adding new renewables and mutual aid as opportunities. Education is a new core value.

Corporate Business Plan of 2023 –

To be discussed in Executive Session. Several documents and recommendations need to be pulled into one document and prioritized to have in place by year end.

Business from the Floor –

None.

EXECUTIVE SESSION

The Board went into executive session at 10:32 a.m. upon motion by Newark, seconded by Clayton, to discuss the following:

1. To discuss personnel actions, strategic business and commercial generation operations, dispatch, negotiations, and planning
2. Personnel Discussion
3. Personnel Budget 2023
4. Corporate Business Plan 2023

The Board ended executive session and returned to regular session at 11:54 a.m.

RETURN TO REGULAR SESSION

A motion was made by New Castle to amend the salary policy to change Administrative Assistant to Executive Assistant and adopt the job description; seconded by Milford. Motion passed unanimously.

A motion was made by Milford to approve the President & CEO compensation package as previously discussed; seconded by Clayton. Motion passed unanimously.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Thursday, November 10, 2022 – 10:00 a.m. (*Quarterly – Lunch to be provided*)
2. Thursday, December 8, 2022 – 9:00 a.m. (*Annual Holiday Luncheon to follow*)
3. Thursday, January 12, 2023 – 10:00 a.m.

ADJOURNMENT

Upon motion by Newark, seconded by Seaford, the Board Meeting adjourned at 11:55 a.m.