

DELAWARE MUNICIPAL ELECTRIC CORPORATION
QUARTERLY MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
November 10, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Thursday, 10th day of November 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
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
Charles Anderson, Treasurer
 Representing Seaford
June Merritt, Alternate
 Representing Seaford
Mary DeBenedictis, Secretary
 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
Richard Wright, Alternate
 Representing Smyrna
Lou Vitola, Alternate
 Representing Milford

DEMEC Staff Attending: Heather Contant, Director of Government & Community Relations; Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Vice President & Chief Financial Officer; Tara LaGrassa, Accounting Analyst; Scott Lynch, VP of Asset Development; Chris Manganelli, IT Network Technician; Willie Marshall, Director of Finance; Mark Pryor, Plant Operator; Christine Siok, Executive Assistant; Stephan Siok, Director of Beasley Plant Operations & Compliance.

Guests and Attendees: Tony Chipola, Electric Director, City of Milford; Tony DePrima, Energize Delaware; Stephanie Hansen, Delaware Senator; Steven Hegedus, University of Delaware; Sheldon Hudson, Town of Smyrna; Bhadresh Patel, City of Newark; Travis Stewart, Town of Smyrna; Max Walton, Attorney, Connolly Gallagher.

Mr. Deputy started the meeting by welcoming Sheldon Hudson, Smyrna's new Town Manager, and Senator Stephanie Hansen.

APPROVAL OF MINUTES

Previous meeting minutes will be ready for approval at the December meeting.

TREASURER'S REPORT

Monthly Financial Report –September 2022 –

Ms. Stephanie Dove, Vice President & CFO, reviewed the September 2022 Financial Reports and provided an overview of summer operations (June through September). Demand through September is 1.25% higher than the same period last year. September was down 2% which is weather related as the average temperatures in September 2022 were 2 degrees lower than the previous year and there were less 90 degrees days. Demand is only 0.8% above budget January through September. The load forecasts from members are very helpful as there is only a 1% difference. Summer demand (June through September) is only 2% above budget and demand in summer 2022 versus 2021 was 0.3% lower.

For Unrestricted Cash on Hand, Ms. Dove explained that there continues to be a hold on cash for collateral deposits. Without collateral deposits, cash is 24.4% higher than the previous September mostly due to the Middletown DPL refund and increased deposits into the Beasley reserve accounts through September.

Ms. Dove noted that for Rate Stabilization Reserve (RSR), September was the fourth month of the year to include a credit in the reserve. A portion of the credit was used for Indian River June through August and will be returned to the reserve over a 16-month period as approved by the board. The reserve balance is down slightly over September 2021 due to Indian River charges covered for three months.

Ms. Dove also noted that income through September is 56.5% greater than the prior September. Market generation revenues are up 127% and in September alone, up 117%. Power purchases are up 60% and load charges for PJM were 128% higher January through September. While the revenue is better, the RTO costs are very high, difficult to predict, and expected to remain high

next year. Ms. Dove mentioned that the highest LMP hour price increased 412% from 2021 to 2022.

Ms. Dove recapped the summer months' performance as this is usually when funds are added back into the Rate Stabilization Reserve. Summer net income was 21% greater than the previous summer, Beasley and Fremont had their second highest performing summer since going into operations. However, LMP remains very high and volatile.

For Winter Months' Demand, Ms. Dove noted that October demand is down as CY 2021 was much warmer than CY 2022 especially in the beginning of the month. For December 2022 through February 2023, temperatures are expected to be near average and demand should remain the same as last year, but December is expected to be colder. Staff will continue to monitor.

As part of the finance update, Ms. Dove expects the completed filing of Series 2021 bonds in December. The final form is expected at the end of November. The investment services RFP was redistributed on October 27th as only two responses were received. New responses are due next week.

For Budget 2023, the draft was reviewed with the Finance Committee and will be discussed in executive session.

Audit preliminary fieldwork is scheduled for December 12th. There is a GASB 91 standard for Conduit Debt which needs to be removed from the books. Staff is currently working with Baker Tilly and continues to keep the Finance Committee informed.

Ms. Dove ended with a reminder of the current member financing projects pipeline and encouraged members to come forward with any anticipated projects.

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

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

UD/SEU Grid Modernization –

Senator Stephanie Hansen, Tony DePrima from the Sustainable Energy Utility (SEU), and Steven Hegedus from the University of Delaware presented on the UD/SEU Grid Modernization Survey.

Senator Hansen explained that as the Chair of the Senate Energy and Environment Committee, she formed the Energy Stakeholders Group for more consistent communications as the state of Delaware transforms to more renewables. Senator Hansen explained the foundation and reasons why the study was created, including statewide planning for generation and transmission since utilities differ on priorities, desires, training, and resources. She noted it gives a better understanding of where the current limitations are in all jurisdictions, the unknown capabilities of different utilities to assess load and distributed energy growth, how utilities vary in how net

metering is calculated, and to help with future distribution planning. The roadblocks the study is trying to find includes technology, finance, regulatory, statutory, and planning for buildout.

Dr. Hegedus explained distribution planning process basics and how this survey is the first step. He stated that distribution planning is a formal process looking at the load forecast, new technology, and how to respond to them. Forward-looking distribution planning is important as it looks at anticipated load growth, growing distributed generation, incentives, and new technologies.

Mr. DePrima explained that the purpose of the study is to determine the existing experience and capability of Delaware utilities to perform distribution planning and to identify resources needed to enhance capabilities for future distribution planning. Phase One of the study was the designing of the survey, which is funded and complete. He stated that this was done in collaboration with the utilities. Phase Two of the study is funded and is performing the survey by having the different utilities complete it and then begin analyzing responses. This phase is not complete yet. Phase Three is not funded and would seek one or two utilities, primarily DEMEC members, to participate in a formal distribution planning process. There would be a qualified engineering firm performing the distribution plan, that the utility can select, however, how it will be funded is still to be determined. He stated that DEMEC members, municipal utilities, are smaller and more affordable to fund the planning process. Mr. DePrima continued by stating that Delmarva Power and the Delaware Electric Cooperative do not need help with this process. Both DPL and the Coop have completed the survey and follow-up interview.

Mr. DePrima took a moment to note that two of DEMEC's members were the first applicants for Energize Delaware's new municipal EV fleet grant.

Dr. Hegedus reviewed what they hope to learn from the study and the types of information that are important. Looking at experience levels with planning and forecasting growth and demand, increases in decentralized solar within municipalities, resources currently available and planning tools, experience with solar and storage, and identifying assets that may need enhanced cyber protection. He stated that micro-grids are the building blocks of the future electric grid to increase resilience and solar while controlling costs. He identified that distribution planning is important for decarbonization, decentralization, and digitization.

Mr. DePrima and Dr. Hegedus discussed members' confidentiality concerns. When the report is written, members will have the opportunity to review and make suggestions for edits. No utility will be identified and data will be aggregated.

Senator Hansen noted that there are benefits of participating at many levels. At a state level, the survey can plan for big movements with renewables on a statewide basis and understanding roadblocks and challenges. It can help the municipalities by bringing financial support, training, and legislation to move past the roadblocks. It will assist with moving the state more efficiently and quickly in the direction of renewables. Funding is available but need to identify the issues ahead of time to provide the resources to the municipalities for all to move together.

Mr. DePrima noted that the survey has been completed for a very large majority of Delaware's electric load but does not want to move forward without DEMEC municipality data, if possible.

Members raised several concerns. The potential vulnerabilities of providing cybersecurity data. Equity in both application and implementation of this study was also mentioned. Ratepayers should not have to pay for higher costs associated with decision-makers' unfunded mandates, and as such, lower cost opportunities need to be considered to keep rates as low as possible for customers. Members brought up that customers may have different expectations. There are concerns with customer groups maintaining a microgrid and understanding the rules/requirements of the industry. There also needs to be further discussion with local zoning issues. There are concerns with electricity pushing back into the grid as that is when reliability becomes an issue. Any financial impact to the utilities and their customers should be strongly considered when making decisions for the future. A need for clearly defined goals, respecting utility regulatory authorities, and preserving local decision-making abilities were also stated.

Senator Hansen and Mr. DePrima noted that there is no interest in putting any confidential information regarding cybersecurity for public dissemination and they will remove the cybersecurity questions from the survey. They stated that both financing and training assistance are benefits of participating.

Mr. DePrima ended the presentation stating that this survey is information gathering and it is preferred that DEMEC municipalities participate. He will be in touch with Ms. Kimberly Schlichting, DEMEC President & CEO.

RESOLUTIONS

Resolution 2022-6 – Resolution authorizing the amendment of the Project Purchase Agreement between the Town of Middletown and DEMEC relating to the transmission line project and associated improvements; authorizing the expenditure of funds for improvements to Middletown's electric system infrastructure; and declaring the official intent of DEMEC to reimburse capital expenditures from the proceeds of tax-exempt indebtedness –

Ms. Dove explained the purpose of the resolution and why it is needed for the Town of Middletown project to move forward with the authorization allowing DEMEC to be reimbursed for any funds that may be spent for Middletown and leaving the option open for Middletown to use tax exempt funding for any additional funds that may be spent.

Upon motion made by Newark to approve Resolution 2022-6 – Resolution authorizing the amendment of the Project Purchase Agreement between the Town of Middletown and DEMEC relating to the transmission line project and associated improvements; authorizing the expenditure of funds for improvements to Middletown's electric system infrastructure; and declaring the official intent of DEMEC to reimburse capital expenditures from the proceeds of tax-exempt indebtedness, seconded by Clayton, the motion passed unanimously.

COMMITTEE REPORTS

Executive Committee –

Mr. Deputy noted the executive committee met this morning and reviewed the draft personnel budget for the next fiscal year. Mr. Charles Anderson provided a brief update on what the finance committee discussed about the budget and RSRs. The executive committee is working with

Kimberly to hone in on the goals, CEO evaluation, and strategic plan. Discussions will continue at upcoming executive committee meetings and information will be reported to the board.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford and Board Treasurer, noted the Finance Committee met on November 8th and the budget was discussed. Additional comments were reserved for executive session.

PRESIDENT’S REPORTS TO BOARD

Recognition of Employees –

Recognition of New Employees –

Ms. Schlichting introduced DEMEC’s new employees listed below, offering a brief biography for each, their titles, and an overview of responsibilities.

Ms. Tara LaGrassa, Accounting Analyst

Ms. Christine Siok, Executive Assistant

Legislative Update –

Ms. Schlichting noted that legislative updates will be provided during executive session.

Joint Training Yard & Lineworker Program –

Ms. Schlichting noted that DEMEC received the final comments from the Kent Conservation District (KCD). There is one comment that needs to be changed on the plans regarding the silt fencing and then will submit six signed and sealed plans to the Town of Smyrna.

Ms. Schlichting explained that for the lineworkers program, DEMEC met with the steering committee which consists of the members’ distribution managers. There was discussion regarding the support needed during self-study as the lineworkers work through the labs. DEMEC provided a call-in number for TVPPA for the lineworkers to obtain support and have individual questions answered. If further help is needed, DEMEC will look to have a group zoom meeting with TVPPA facilitators.

Light Up Navajo IV –

Ms. Schlichting mentioned to Mr. Deputy that she is awaiting dates to present to Middletown lineworkers. Mr. Deputy noted that the presentation may need to be pushed to December. Ms. Schlichting asked any other members to reach out to her so she can arrange to speak to interested lineworkers.

Indian River –

Ms. Schlichting noted that she has been appointed to Chair AMP’s RTO and Transmission Committee. In doing so, she is able to work with AMP’s leadership that works with PJM regulatory issues, transmission, and other staff responsible for engineering. She provided a list of questions pertaining to Indian River for AMP’s RTO and Transmission team to discuss at their meeting with PJM leadership. Ms. Schlichting will meet with the committee next week to discuss PJM’s responses. The answers will help decide the level of engagement with potential alternate solutions. More information will be forthcoming.

DEMEC/DPL Meeting –

The DEMEC and DPL meeting has not been rescheduled yet. Members will be notified when a date is selected.

Energy Efficiency –

Ms. Schlichting explained that members did not approve contracts with Efficiency Smart at the same time; therefore, expiration dates vary. Ms. Schlichting raised the idea of permanently putting the energy efficiency program as part of the power supply portfolio since all DEMEC members are participating in energy efficiency and it would streamline DEMEC staff responsibilities and resources.

Ms. Schlichting suggested that members think about this request and will keep this item on the agenda to discuss at a future board meeting.

Personnel Budget –

To be discussed in Executive Session.

Budget 2023 –

To be discussed in Executive Session.

Corporate Business Plan of 2023 –

Mr. Deputy stood on his comments from the Executive Committee report.

Business from the Floor –

None.

COMMUNICATIONS & OUTREACH

Ms. Heather Contant, Director of Government and Community Relations, noted that DEMEC received AMP's Power Public Promotion award at their September annual conference and APPA's Excellence in Public Power Communications award. Ms. Contant thanked everyone for participating in the "Public Power Is" awareness campaign during Public Power Week in 2021.

Ms. Contant will also be chairing APPA's public communications track at the Customer Connections Conference next week and presenting a session on Canva. She will bring back information to share with members and staff.

There are "If I were a Lineworker" books created by an APPA member available for members to take and leave in elementary school classroom or local community libraries when lineworkers or other utility personnel visit for educational purposes.

Ms. Contant reminded members to tag DEMEC and use #PowerDE when posting on social media to allow DEMEC to track, share, and interact with the posts.

Net Metering Policy Changes –

Ms. Contant will be reaching out to members regarding policy changes discussed at the net metering zoom meeting in early October. She noted that SB 298 has been effective since July and that she will be reaching out to members to follow up on any questions regarding implementing

these changes. Ms. Contant wants to ensure that information provided to stakeholders when asked is accurate. She informed the board that she will keep them informed of any updates or clarifications regarding net metering legislation in the future.

Ms. Contant explained that DEMEC continues to strengthen the conversation around winter and holiday energy savings to provide customers with resources on ways to save money. DEMEC is participating in the WBOC holiday gift guide and sponsoring the iHeart radio holiday light contest which includes digital ads and 4 different videos. This information will be available in a few months for members to share on social media.

Ms. Contant also noted that she was invited to partner with the DAFB Wing Commander through the Honorary Commanders program and will be attending the State of the Base in a few weeks where she will also get to discuss current issues with Delaware's Federal Delegation.

Ms. Contant recognized Lewes BPW's outreach during Public Power Week with an efficiency gift basket raffle and table at the local farmer's market.

TRAINING & EDUCATION ACTIVITIES

Ms. Contant noted that the annual dinner at the Opera House was a success with a 4.7 out of 5 on the feedback report. She mentioned that DEMEC will be hosting a tour of the Beasley Power Station with Representative Wilson-Anton resulting from conversations started after that event.

Ms. Contant noted that DEMEC keeps an archive of RP3 eligible training as information stays relevant and staff can work with Ms. Kendra Friel to receive a certificate upon completion if initial training sessions are missed.

Ms. Contant stated that the TVPPA lineworkers training was successful and there is another training scheduled for early December. There was discussion regarding the roadblocks experienced with journeyman certification through the Department of Labor and how it impacts mutual aid. Ms. Schlichting noted that this topic will be discussed in more depth at future steering committee meetings.

Ms. Contant noted there is an upcoming customer service working group highlighting the programs and services on how to help customers prioritize the different electric programs and services member utilities can offer. Starting in January, the APPA customer service certificate program and key accounts certificate program will be available.

Ms. Contant mentioned that DEMEC is looking into a new learning management system to streamline training and produce more detailed reports.

BREAK FOR LUNCH –

The Board broke for lunch at 12:11 p.m.

RETURN TO REGULAR SESSION –

The Board returned to regular session at 12:54 p.m.

SUSTAINABILITY & DEVELOPMENT

Meeting Updates -

Mr. Scott Lynch, Vice President Asset Development, noted that the Delaware Utilities Coordinating Council met on October 12th and discussed the federal Bipartisan Infrastructure Law and delays that may be caused by requiring Buy American. The subcommittees will continue to meet to discuss the design and construction phases.

The Energy Efficiency Advisory Council met on October 12th and one of the biggest items discussed was the bi-annual snapshots where DEMEC, DEC, and DPL will present bi-annual snapshots at the next EEAC meeting. DEMEC will share with the board the snapshots that will be presented to the EEAC.

Program Updates -

Mr. Lynch recognized the efforts of the City of Newark, Town of Middletown, Town of Smyrna, and Lewes BPW in renewing for the next three years in the Efficiency Smart program.

Mr. Lynch noted that CPower will be presenting at next month's board meeting to talk about the work involved in demand response over this past summer. The next program period starts June 2023. Mr. Lynch will follow up with CPower on program material that can be shared with customers to promote participation.

Mr. Lynch reminded the board that DEMEC successfully helped all RP3 renewing communities submit for redesignation by the September 30th deadline. DEMEC will assist Lewes BPW when reapplying in 2023. Mr. Bruce Kitchens will be taking lead on the RP3 program moving forward and Mr. Lynch will be the backup.

Mr. Lynch noted that DEMEC did submit the MRPS to DEMEC member regulatory bodies, Delaware General Assembly, and DNREC and no comments have been received at this time. The current program period is June 2022 through May 2023 which means the MRPS target is 22% renewable energy.

Asset Development Updates –

Mr. Lynch stated that in November, American Municipal Power intends to submit a concept proposal to the US Department of Energy to include AMI as a grid resiliency option under the Inflation Reduction Act (IRA). For those DEMEC members who have not completed AMI deployment, there may be funds available to provide up to 50% on the electric side.

Mr. Lynch noted that phase-one build out of the Middletown substation project is complete and working on phase-two now. Material awards were made, and rejection letters were sent, and Middletown is expecting the engineer to have a labor package for RFP ready in January 2023 with construction starting in the spring/summer. Mr. Lynch noted that DEMEC/DPL continue to have project coordination meetings with Middletown staff related to the Middletown substation project.

Mr. Lynch will continue to provide monthly information regarding DEMEC's sustainability and development services and program offerings. Service offerings include on-behalf of financing, development support, research and development. The program offerings include the Green Energy Fund, Power Savers, Efficiency Smart, Corporate Renewable Energy Block program, RP3, and AURSI.

Mr. Lynch recognized that someone in the Town of Smyrna won the very first promotional energy efficiency kit through Efficiency Smart's Trivia Tuesday campaign.

IT UPDATE

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

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

The Board went into executive session at 1:10 p.m. upon motion by Lewes, seconded by Newark, to discuss the following:

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

The Board ended executive session and returned to regular session at 3:26 p.m.

POTENTIAL ACTION TO BE TAKEN AFTER EXECUTIVE SESSION

Upon motion made by Milford to approve, the 2023 Budget not to exceed what was presented in Executive Session and include any adjustments as discussed in executive session seconded by Newark, the motion passed unanimously.

SET NEXT MEETING DATES

The following meeting dates were set:

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

ADJOURNMENT

Upon motion by Newark, seconded by Lewes, the Board Meeting adjourned at 3:28 p.m.