

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
December 8, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Thursday, 8th day of December 2022 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 9:03 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
Sheldon Hudson, Director
Representing Smyrna
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
Robert 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
Tom Coleman, Vice Chair
Representing Newark
Lou Vitola, Alternate
Representing Milford
Mary DeBenedictis, Secretary
Representing Clayton
Travis Stewart, Alternate
Representing Smyrna

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

Guests and Attendees: Tony Chipola, Electric Director, City of Milford; Ed Drew, Regional Vice President and General Manager; Bill Oosterom, Director of Sales, CPower; Donna Karas, Director of Account Management, CPower; Max Walton, Attorney, Connolly Gallagher; Lincoln Willis, Principal, The Willis Group.

Mr. Deputy started the meeting by welcoming Sheldon Hudson to the table as a new Director.

APPROVAL OF MINUTES

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

1. Minutes of October 13, 2022
2. Minutes of November 10, 2022

Upon motion made by Milford, to approve the minutes of the meetings of October 13, 2022, and November 10, 2022, seconded by Clayton, the motion passed unanimously.

TREASURER'S REPORT

Monthly Financial Report – October 2022 –

Ms. Stephanie Dove, Vice President & CFO reviewed the October 2022 Financial Report. Demand for January through October was less than 1% higher compared to the same period last year. Actual October demand was down 6%, due to the weather, as the average temperature was eight (8) degrees colder than the prior October. Demand is on budget for the year at 0.2% above what was budgeted.

Total Cash on Hand without collateral cash is above target through the end of October as compared to the prior October. Ms. Dove reminded the board of the budgeted cash reserve study for 2023 that will be looking at the cash target. Year to date, total cash is also above target.

The Rate Stabilization Reserve (RSR) was credited in October. Revenue is about 2% higher than cost through October. The RSR balance at the end of October was less than the prior October. Ms. Dove reminded the board that a portion of the RSR was used for Indian River, June through August, and it continues to be returned over a 16-month period, as approved by the board.

Ms. Dove reviewed income through October, which is up over the prior year due to PJM Market and Generation Revenues. Fremont and Beasley continue to be major contributors. Beasley had its second highest performing October since 2018. Fremont had its second highest performing October since going into operations in 2012. Power Purchases are higher due to PJM RTO charges,

which are up 113% over the prior year. Net income decreased a little due to booking depreciation quarterly instead of at the end of the year.

Ms. Dove noted that the investment portfolio through the end of the Q3 remains volatile. The Federal Reserve has moved the rate six times from March through November for a total of 3.75%. A new investment portfolio manager is being evaluated by staff and the Finance Committee.

For Winter Months' Demand, Ms. Dove explained that preliminary for November, demand will be up 1.7% over the prior November. The winter short-term projections have not changed since reporting last month. Temperatures are expected to be a little colder in December but still looking at near average for the winter months. DEMEC staff will continue to monitor.

In the current finance update for continuing disclosure, Ms. Dove is hoping to file the final Series 2021 by the end of the year. She is currently working with the City of Milford on final numbers. Yesterday, both series had another continuing disclosure filing for a Town of Middletown debt issuance and were also filed timely. Ms. Dove reminded members to notify her if there is any debt issued as it could trigger a continuing disclosure that DEMEC must file. The DEMEC staff and Finance Committee went through the four (4) investment services RFPs received with the financial advisor and interviews are being held on December 15th with two (2) of the respondents. Further information will be presented at the January board meeting.

Preliminary audit for 2022 begins next week and DEMEC Finance staff will be working with the auditors to begin the process.

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 October 2022, seconded by Newark, the motion passed unanimously.

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

Bill Oosterom, Director of Sales from CPower presented on PJM Demand Response Updates and DEMEC's demand response program success. Mr. Oosterom reviewed the results of four (4) programs and the challenges expected for next year.

Mr. Oosterom explained that the Capacity Market program is the most attractive, with the most participation. He shared the details of the program along with program registrations, events, and results. Mr. Oosterom noted that DEMEC developed a similar program, DEMEC Demand Response Offering, to capture coincident peak hours. He reviewed this program, event summary, and the participant incentive. Since 2018, when the program started, total incentive for all programs have reached nearly \$5 million for roughly 10 hours of participation. In addition, the DEMEC Demand Response Offering was able to capture all five (5) coincident peaks for the year.

Mr. Oosterom noted that Energy Efficiency Demand Response is the load reduction program. He reviewed qualifying and non-qualifying projects and timelines, participation parameters, and stated this program annually pays out for 4 years. This year, three (3) projects received a total of \$21,500 in additional incentive for projects they were going to do anyway.

Mr. Oosterom explained that Synchronized Reserve Demand Response is a short duration, fast response program. There is only one client in this program currently.

Mr. Oosterom reviewed the challenges for 2023-2024. The capacity program is currently a one-hour test event in the summer with up to a two-month advance notice of the scheduled day. This program will be changing to a 2-hour test event with only a two-week advance notice window and only a day ahead notice of the scheduled day, which can occur in the summer or winter. In addition, the price will be decreasing from the current 2022-2023 program. The test event change was designed to mimic a real event more realistically.

Mr. Oosterom noted that peal load contributions and peak hours will be received early January. CPower will have conversations with customers around that time, and by mid-March/April those loads will be put in prior to June for the start of the next cycle.

Ms. Kimberly Schlichting, President & CEO presented a mutual aid award to CPower for their generous donation to Light up Navajo III, allowing four (4) lineworkers to participate in May 2022, which was well received and appreciated by DEMEC and the impacted families.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee –

Mr. Deputy noted the Executive Committee met yesterday to review the 2023 goals and plans to present to the board in January.

Finance Committee –

No current updates.

PRESIDENT'S REPORTS TO BOARD

Legislative Update –

Ms. Schlichting noted that Mr. Lincoln Willis, Principal, The Willis Group, will report upon arrival.

Grid Modernization Survey –

Ms. Schlichting noted that Senator Hansen, Mr. Tony DePrima from the SEU, and Mr. Steve Hegedus from the University of Delaware presented at the November quarterly board meeting on the importance of distribution planning for the purpose of implementing more solar in communities. The grid modernization survey response was re-sent to each member and will be discussed further in executive session.

Ms. Schlichting stated that staff hosted a meeting with Representative Wilson-Anton, member of the House Energy Committee, on November 30th at the DEMEC offices including a tour of the Smyrna Solar Facility and Beasley Power Station, discussion on DEMEC and member's unique characteristics, and an explanation of public power. Ms. Schlichting was impressed with the Representative's desire to learn about DEMEC, the industry, and DEMEC's role. Representative Wilson-Anton stated that she would like to bring the House Energy Committee to DEMEC for the same type of meeting and learning opportunity. DEMEC staff will work to schedule this meeting.

DelDOT EV and Electricity Demand Working Group –

Ms. Schlichting noted that the DelDOT EV and Electricity Demand Working Group held a meeting on December 1st and presented the EV adoption analysis presentation which highlights locating EV charging stations along the main corridors in Delaware. The plan is based on implementing 100 EVs by 2035 in the same way as California, however, the group needs to know if the utilities have the capacity to accommodate the load growth. Responses are requested by December 16th on the utilities' views of the presented report and will be discussed further in executive session.

GRIP Grant Opportunities –

Ms. Schlichting explained that the Department of Energy (DOE) is encouraging bundled grant applications that aggregate the needs and asks of larger groups. DEMEC is looking to take advantage of AMI and microgrid grant opportunities through partnership with AMP, but also looking to submit a concept, independent of AMP, to request funding for member distribution planning. Concept applications are due within the next month, with more detailed submittals to follow afterwards. Both DEMEC and AMP will utilize The Ferguson Group to help draft applications and DEMEC is also checking with UD and other resources to support the distribution planning grant. There are discussions at the AMP level about how communities pay for the work upfront, as grant funding is a reimbursement. AMP and DEMEC have discussed the potential for bond issuance where AMP and/or DEMEC could pay for certain funds upfront and bill the members afterwards to prevent communities from needing to pay in advance.

Energy Stakeholder Meeting –

Ms. Schlichting noted the next meeting will be held on December 16th. More information will be provided in executive session.

Joint Training Yard –

Ms. Schlichting stated that DEMEC is awaiting final approval from Kent Conservation District (KCD). Once approval is received, DEMEC will provide it to the Town of Smyrna. KCD's approval is the last item needed for the issuance of the final permit. The first order of 40 poles has been delivered to the training yard and the seven (7) replacement poles were delivered to New Castle. Due to supply chain issues, DEMEC is still waiting for other materials needed.

The third lineworker training is scheduled from Sunday, December 11th through Saturday December 17th. This is as a 6-day course with Saturday being a contingency day, and eight (8) lineworkers are registered to attend from Seaford, Milford, Smyrna, and Newark.

Office Space –

Ms. Schlichting noted that the back garage is being converted into three (3) offices and her office is under construction due to a mold issue. She is hoping that everyone will be settled into the offices by the end of this year.

Light Up Navajo IV –

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. DEMEC staff will be meeting with Middletown lineworkers to share a presentation highlighting the project and work. Ms. Schlichting asked any other members to reach out to her to arrange a similar presentation. Volunteers need to be identified, with paperwork turned in, by the end of January.

Corporate Business Plan of 2023 –

Ms. Schlichting is working with the Executive Committee to finalize and will present to the board in January.

Contract Management System –

Ms. Temika Moore, Contract/HR Administrator, presented on the Contract Management System (CMS). She explained her role with preparing for the search of a CMS and noted there were 771 documents that needed to be reviewed.

Ms. Moore noted that the cost-benefit of implementing a CMS would reduce contract redundancies by 75-90%, reduce the negotiation cycle, allow for electronic approvals and negotiations, and be a “single point of truth” for all DEMEC documents.

Ms. Moore explained what is required to implement a CMS and noted there is an internal meeting scheduled tomorrow to discuss the options.

There were nine (9) CMS vendors that DEMEC researched, and each vendor was scored on 49 categories (11 of them being core requirements). DEMEC selected Outlaw/Filevine who scored best overall and met the security compliance considerations.

Ms. Moore explained that it would take 8-10 weeks to implement with an estimated kick-off by the end of January 2023. This will be a phased approach and the bulk of the time will be templating the contracts. With a CMS, the documents will be standardized, DEMEC will know the current version being used, and it will be easier to track and run reports.

Community Solar –

Ms. Schlichting noted there is nothing to report at this time.

Ms. Schlichting noted that staff will be standing on remaining reports:

- Communications Report – November 2022
- Training and Events Report – December 2022
- Sustainability and Development Report – December 2022

Business from the Floor –

None.

EXECUTIVE SESSION

The Board went into executive session at 9:47 a.m. upon motion by Newark, seconded by Milford, to discuss the following:

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

The Board ended executive session and returned to regular session at 11:01 a.m.

RETURN TO REGULAR SESSION

No action taken.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Thursday, January 12, 2023 – 10:00 a.m.
2. Thursday, February 9, 2023 – 10:00 a.m. (*Quarterly – Lunch to be provided*)
3. Thursday, March 9, 2023 – 10:00 a.m.

ADJOURNMENT

Upon motion by Milford, seconded by New Castle, the Board Meeting adjourned at 11:02 a.m.