

DELAWARE MUNICIPAL ELECTRIC CORPORATION  
**REGULAR MEETING**  
DEMEC ADMINISTRATIVE BUILDING  
SMYRNA, DELAWARE  
**March 9, 2023**

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Thursday, 9<sup>th</sup> day of March 2023 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:08 a.m. with Mr. Morris Deputy, Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Chair  
    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  
Austin Calaman, Director  
    Representing Lewes BPW  
Kimberly Schlichting, President  
    Representing DEMEC

Absent:

Dr. Roy Sippel, Alternate  
    Representing the MSC of New Castle  
Lou Vitola, Alternate  
    Representing Milford  
Sheldon Hudson, Director  
    Representing Smyrna  
Travis Stewart, Alternate  
    Representing Smyrna  
Robert Cote, Alternate  
    Representing Clayton  
Tyler Reynolds, Alternate  
    Representing Middletown  
Kim Bellere, Alternate  
    Representing Lewes BPW

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

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 February 9, 2023

Upon motion made by New Castle, to approve the minutes of the meetings of February 9, 2023, seconded by Newark, the motion passed unanimously.

### **TREASURER'S REPORT**

#### **Monthly Financial Report – December 2022 –**

Ms. Stephanie Dove, Vice President & CFO, reviewed the December 2022 Financial Reports. Demand January through December is 1.4% higher over the same period in 2021, and 0.5% above budget. For the actual month of December, demand was 8.6% higher than the prior December due to Winter Storm Elliott.

For Cash on Hand, Ms. Dove explained that total cash increased 53% over the prior year which is being driven by collateral deposits. Collateral activity has slowed down and as of today, all have been returned to counter parties, but we had to send some cash to PJM. Without collateral deposits, cash is down over November but still above target. The difference in activity in the cash account for almost the entire year has been collateral activity.

Ms. Dove noted that for the Rate Stabilization Reserve (RSR), there was a charge in December which is 24.3% less than the prior December. At the end of the year, there is a credit to the RSR with revenues about 1.2% higher than cost. The RSR balance was 22% lower than the prior December largely due to borrowing for Indian River with a 16-month payback period. Ms. Dove noted that paybacks will continue through the end of 2023.

Ms. Dove explained there is a new report detailing the Indian River impact by member. The report includes actual costs to the members for each month from inception. This report will be provided on a monthly basis.

Ms. Dove also noted that income through December increased 50% over the prior year. The PJM market is still high. PJM market and generation revenues were 97% higher than the previous year due to higher LMPs and increased generation opportunity. Beasley had its highest generation this December with the megawatts produced being 549% higher than the prior December. Fremont

had its 2<sup>nd</sup> highest December just behind 2017. Power purchases with the RTO charges were 48% higher in December than the prior December leaving a net income 164% higher than the prior year. The audit adjustments are not complete so the income will probably decrease but will still be significantly higher than the income at the end of 2021.

Ms. Dove explained there is a new GASB 91 Updates report detailing new accounts, member advances for projects. Going forward, members will no longer see assets, debt, revenue, or expenses as it is now flowing through the liability accounts.

For the Q4 2022 Investment Summary, Ms. Dove noted that there was a slight increase in income over the prior quarter. The Federal Open Market Committee (FOMC) raised interest rates seven (7) times in 2022 for a total increase of 4.25%. The rates were raised again in February to 4.75%. In December 2022, the FOMC estimated a range of 5.5% to 5.75% and this week Chairman Powell stated that the rates will likely be higher than policymakers expected in December.

For Winter Months' Demand, Ms. Dove noted that demand is down as January was the second warmest January in a century. Spring projections are expected to be warmer and demand over the next few months is expected to be down as compared to the prior year.

For the current finance update, Ms. Dove stated the next due date is June 30<sup>th</sup> for Series 2021 and Series 2019 Bonds. Finance staff has been working with Baker Tilly on the GASB 91 adjustments.

Ms. Dove stated that work continues with the consultant on the rate study. For the asset management RFP, finance staff met with PFM Asset Management on March 7<sup>th</sup> to discuss the path forward on what is needed and the length of time to move the portfolio over to them to prevent any adverse effects.

For the current member financing projects pipeline, Ms. Dove stated that Clayton AMI was added in case they decide to finance the project.

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

### **APPOINTMENTS/ELECTIONS**

None.

### **PRESENTATIONS**

None.

### **RESOLUTIONS**

Resolution 2023-1 – Resolution of the DEMEC Board of Directors regarding ownership and application for publicly owned generation facilities –

Ms. Kimberly Schlichting, President & CEO, explained the purpose of the resolution, and she discussed the draft policy for DEMEC member publicly-owned generation or storage facility projects. Greater detail and background information was shared. A brief discussion ensued.

Upon motion made by Newark, to table Resolution 2023-1 regarding ownership and application for publicly owned generation facilities, seconded by Lewes, the motion to table was unanimous.

Resolution 2023-2 – Unanimous Resolution of the Board of Directors of Delaware Municipal Electric Corporation to amend agreement and articles of incorporation –

Ms. Schlichting reviewed the resolution and explained why a change in the due date for DEMEC's financial statement would be beneficial; change from end of March to end of May.

Upon motion made by Seaford, to approve Resolution 2023-2 - Unanimous Resolution of the Board of Directors of Delaware Municipal Electric Corporation to amend agreement and articles of incorporation and to be executed electronically, seconded by Clayton, the motion passed unanimously.

**COMMITTEE REPORTS**

Executive Committee – Mr. Morris Deputy, Director representing Middletown and Board Chair, stated that Ms. Schlichting provided an update on the corporate goals at the Executive Committee meeting this morning. There were discussions on managing large customer accounts and the annual board of director survey.

Finance Committee – Mr. Charles Anderson, Director representing Seaford and Treasurer, noted that the Finance Committee met on February 21<sup>st</sup> where the GASB 91 requirements were discussed. He stated the presentation regarding cash reserves policy was received from PFM. He mentioned that more may be needed in reserves for the future repair or replacement of equipment at the Beasley Power Station.

**PRESIDENT'S REPORTS TO BOARD**

Legislative/Regulatory Updates:

BRA/DPL-South LDA Complaint –

Ms. Schlichting noted that FERC agreed with PJM that the higher costs to the LDA were not truly founded on good practice and not reflective of reality. The costs were significant in the 2024/2025 capacity auction. Since FERC ruled in favor of PJM, the additional high costs were avoided. Ms. Schlichting stated that a Utility Dive article named AMP as one of the supporters. It was noted nationally in the article, and she is grateful for AMP's support.

APPA Legislative Rally –

Ms. Schlichting noted that she and Ms. Heather Contant, Director of Government & Community Relations, attended the APPA Legislative Rally in Washington, D.C. on February 27<sup>th</sup> and February 28<sup>th</sup>. They met with Senator Carper and his staff to discuss Indian River, the PJM cost circuit breaker, DPL-South, and Winter Storm Elliott and Beasley's contribution as a reliability asset during the PJM RTO emergency event. She noted that she participated as the DEMEC voting delegate on the APPA legislative and resolutions committee. Ms. Schlichting shared with the members copies of the resolutions that were presented and passed by the committee. These resolutions focused on several areas of concern and are important as they provide APPA staff direction on how to spend their limited time and resources. DEMEC supported all resolutions and

was added as a sponsor to Resolution 2023-1 regarding the promotion of reasonable transmission policies for public power utilities.

### **EXECUTIVE SESSION**

The Board went into executive session at 10:40 a.m. upon motion by Newark, seconded by New Castle, to discuss the following:

1. Legislative updates and strategies

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

### **RETURN TO REGULAR SESSION**

The Board returned to regular session at 11:11 a.m. upon motion by New Castle, seconded by Newark, to discuss the following:

#### Joint Training Yard –

Ms. Schlichting noted that DEMEC is continuing to work on receiving final approval from the Town of Smyrna to break ground and complete the project.

Ms. Schlichting explained that for the lineworker training program, DEMEC is proactively working to identify dates in 2024.

#### APPA National Conference –

Ms. Schlichting noted that registration is now open for the APPA National Conference being held in Seattle, Washington June 18<sup>th</sup> through June 21<sup>st</sup>. DEMEC's budget allows several Board of Directors to attend with priority given to directors first then to alternate directors, depending on number of responses received from directors who plan to attend. Directors who desire to attend on behalf of DEMEC need to notify Ms. Schlichting first for approval, then make their own travel and lodging arrangements and register for the conference. Ms. Schlichting asked that all travel information be submitted to Ms. Christine Siok, Executive Assistant, whether attending on own or on behalf of DEMEC.

#### Sector Spotlight: Electricity Substation Physical Security –

Ms. Schlichting thanked Mr. Tom Coleman, Director representing Newark and Vice Chair, for sharing the Sector Spotlight document. She noted that it serves as a good follow up to the information Detective Daniel Blomquist, Terrorism Liaison Officer from the Delaware State Police, presented at the February 9<sup>th</sup> board meeting. DEMEC will continue to work and coordinate with Detective Blomquist and his team on several issues that are being worked on together.

#### Light Up Navajo IV –

Ms. Schlichting stated that on March 28<sup>th</sup>, DEMEC is holding a meet and greet with the lineworkers and alternates who volunteered to go to the Navajo Nation the week of April 23<sup>rd</sup>. DEMEC will go over logistics, provide additional information, and answer any questions that may arise.

#### Indian River –

Ms. Schlichting noted that meetings continue with the purpose of reaching a settlement with NRG Energy. The original settlement date was February 23<sup>rd</sup>, but the parties did not reach settlement and have agreed to continue working toward a settlement with a new settlement date set for May 23<sup>rd</sup>. Ms. Schlichting stated that between now and May 23<sup>rd</sup>, several meetings are being held by the parties and additional information will be provided and examined. In these types of cases, the goal is for the parties to reach settlement to avoid litigation. Ms. Schlichting stated that the overall cost will still be significant even if there is a reduction to costs.

Community Solar and Low-Income Solar Programs –

Ms. Schlichting noted that the Community Solar and Low-Income Solar programs will be discussed during executive session.

DRAFT Annual Board of Director Survey –

Ms. Schlichting noted that as adopted by the board of directors on August 11, 2022, DEMEC staff shall create a satisfaction survey for the board's review and approval for DEMEC's overall organizational performance on or before July 1, 2023. She explained this survey is the first draft and asked that the directors review and respond with edits or suggestions by Friday, March 24<sup>th</sup>. This will allow time for staff to incorporate any edits and present the next version for consideration of approval at the April board meeting.

Transfer of Substation to MSC –

Ms. Schlichting explained that on December 2, 2008, DEMEC entered into an agreement with the Municipal Services Commission (MSC) of the City of New Castle to provide on-behalf-of-financing for a second substation for the MSC. To pay for the cost of the project, DEMEC issued an electric revenue bond known as the New Castle Substation Project, Series 2008-B, which DEMEC later refunded to the 2015 Refunding Bond. Now that the 2015 Refunding Bond has been fully paid and discharged, the agreement provides that DEMEC transfers all DEMEC's rights, title, and interest of the project to the MSC. This transfer requires no action of the board but serves as informational purposes only. DEMEC's bond counsel reviewed the transfer agreement as well as the MCS's legal counsel, and both the MSC and DEMEC have executed the transfer agreement.

Risk Management Policy –

Ms. Schlichting reviewed the purpose of the risk management and trading authority policy. She noted this is one of DEMEC's most important policies in allowing us to transact swiftly and as needed. DEMEC reviews the policy at least annually and recommends any updates. The major change is adding another avenue to do transactions for natural gas and there were a few title changes.

Upon motion made by Clayton, to adopt the risk management policy in written form, seconded by Newark, the motion passed unanimously.

CPower Lunch & Learn –

Ms. Schlichting reminded everyone that the CPower lunch and learn will be held in DEMEC's training room on March 29<sup>th</sup>. This meeting was set up in response of Winter Storm Elliott to make sure we are all working together to better understand the response, expectations of the members, what the different alerts mean, and the importance of underfrequency load shedding.

Sponsoring DLLG Monthly Meeting –

Ms. Schlichting noted that DEMEC will sponsor the Delaware League Local Government (DLLG) Monthly Meeting on March 23<sup>rd</sup>. DEMEC will be presenting and discussing Indian River and how regulatory unknowns can impact us and members of the league who are not utility owners.

Business from the Floor –

Mr. Coleman discussed the STAR Campus load growth projection increase. Ms. Schlichting recommended that further discussions be held.

Mr. Tony Chipola, Electric Director, City of Milford, requested a discussion to develop a spare power transformer program. Ms. Schlichting suggested that Mr. Scott Lynch, VP of Asset Development, and Mr. Bruce Kitchens, Special Projects Manager, take lead on evaluating options for a joint transformer inventory program.

**COMMUNICATIONS & OUTREACH**

Ms. Schlichting stated that staff is standing on the following reports.

- Communications & Outreach
- Sustainability & Development

**TRAINING & EDUCATION ACTIVITIES**

Ms. Kendra Friel, Training & Event Coordinator, noted that the first session of the Key Accounts Certificate Program is scheduled for March 21<sup>st</sup>. Ms. Schlichting stated this was a request from the board and asked directors to assist with promoting this program to their staff.

Ms. Friel also noted that DEMEC Day is scheduled for April 5<sup>th</sup> at Legislative Hall. Members are welcome and encouraged to join DEMEC staff to meet and visit with legislators. DEMEC staff will be present at 11:00 a.m. and legislative activity is expected to pick up in the afternoon. A meeting with Governor Carney is scheduled for 2:15pm.

**IT UPDATE**

Ms. Schlichting stated there are no IT updates.

**EXECUTIVE SESSION**

The Board went into executive session at 11:31 a.m. upon motion by Milford, seconded by Seaford, to discuss the following:

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

The Board ended executive session and returned to regular session at 12:02 p.m. upon motion by New Castle, seconded by Milford.

**POTENTIAL ACTION TO BE TAKEN AFTER EXECUTIVE SESSION**

No action taken.

**SET NEXT MEETING DATES**

The following meeting dates were set:

1. Thursday, April 13, 2023 – 10:00 a.m.
2. Thursday, May 11, 2023 – 10:00 a.m. (*Quarterly – Lunch to be provided*)
3. Thursday, June 8, 2023 – 10:00 a.m.

**ADJOURNMENT**

Upon motion by Newark, seconded by New Castle, the Board Meeting adjourned at 12:06 p.m.