

**DELAWARE ELECTRIC COOPERATIVE
MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS**

June 20, 2018

CALL TO ORDER

The regular meeting of the Board of Directors of Delaware Electric Cooperative, Inc. was held at the office of the Cooperative at Greenwood, Delaware, on Wednesday, June 20, 2018 at 10:00 a.m. Chairman William J. Wells called the meeting to order. The following directors were present: Dean C. Belt, Michael K. Brown, Blaine M. Daisey, Sr., (via teleconference), Patricia S. Dorey, William P. Haughey, Jr., Bruce A. Henry, William W. Noel, Laura T. Phillips, Charles L. Towles, Jr., and Bruce R. Walton

Also present at the meeting were J. William Andrew, Rob Book, Bruce Campbell, Mark Nielson, David Shapley, Dawn Smart, Jesse Spampinato, Dwayne Street, John Cheatham, from Adams, Jenkins, & Cheatham, and Mary Egerson, who recorded the minutes of the meeting.

SPECIAL RECOGNITION

Special recognition was given to our “Gaff-N-Go Team”- we recognize and appreciate your dedicated efforts. Meter Readers Miguel Hernandez and Kevin Coulborn, David Mabrey and Jonathan Pentoney-Journeyman/Linemen, Brent Elzey and Brian Fooks for becoming new employees in Management positions and Mark Anderson, our new Assistant Manager of Safety & Security & Training were all introduced to the Board.

APPROVAL OF MINUTES

The Minutes of the regular meeting of May 16, 2018, were approved.

ANNUAL AUDIT REPORT

John Cheatham, from Adams, Jenkins & Cheatham of Richmond, VA., reviewed with the Board the Audit Report for the year ending March 31, 2018 and 2017 and the related statements of operations, patronage capital and comprehensive income, and cash flows for the

years then ended, and the related notes to the financial statements. He stated that, “in the auditors’ opinion,” the financial statements presented fairly the financial position of the cooperative.

The auditor informed the Board that the financial statements had been audited in accordance with auditing standards generally accepted in the United States of America.

Overall, he reported a good, clean audit and wanted to thank the staff for their assistance. The Audit Committee met with the Auditor, John Cheatham, before the Board meeting to discuss the final report. Upon motion made, seconded, and unanimously carried, the March 31, 2018 and 2017 Audit Report was accepted as presented.

RATIFY AT LARGE DIRECTOR

A motion was made to Ratify Mr. Blaine M. Daisey, Sr., to the Board to fill the seat of Mr. Howard Clendaniel, seconded and unanimously approved.

HUMAN RESOURCE REPORT

Dawn Smart Manager of Human Resources advised the Board that a three-year contract had been ratified between Delaware Electric Cooperative, Inc., and Local 2201 (IBEW) AFL-CIO from June 1, 2018 through May 31, 2021. The following Labor Agreements and Negotiations were presented: General Wage Increase - Year 1, 3.00%, Year 2, 2.75% and year 3, 2.75%. There is a .05 cent increase in shift differential year 1 through year 3. And, an increase for two Member Service Clerks in Engineering. The Medical Insurance will continue with the same 80/20 split.

Dawn also reported that there were no vehicle accidents or personal injuries during the month of May.

REPORT FROM MARCUS HARRIS, CEO of ODEC,

Marcus Harris, CEO of ODEC presented a program on Power Point to the board via teleconference on ODEC’s Power Supply and Planning overview. An explanation of ODEC’s Power Supply Overview follows:

- Service Territory & Generation Facilities

- Renewables
- Wild Cat Point
- Rock Springs Sale
- 2017 versus 2021 Energy Mix-by Type
- FRED 18 Base Case-Load Duration Curve 2021
- Long Term Additions
- ODEC Rates
- 2018 Budgeted Rates
- 2018 Energy Rate Adjustment
- 2018 Demand Margins
- Anticipated Rates for 23019
- Long-Term- Average Costs (Member, Energy and Demand) (Per FREC 2018 forecast)
- Strategic challenges facing ODEC and Members
- The PJM Market Historical LMP
- Wholesale Markets
- Transmission
- New Technologies

Mr. Harris concluded stating ODEC's Power Supply is well suited now to meet the power needs of the members for years to come. Wildcat Point is a critical part of ODEC's energy and capacity mix, and provides value in both areas.

FINANCIAL REPORT

Bruce Campbell, Vice President of Finance & Accounting reviewed the May 2017 Financial Report with the Board. He also advised the board that the next S&P Meeting will be September 13, 2018.

ENGINEERING PLANNING & INNOVATION REPORT

Vice President Engineering Strategy & Innovation David Shapley presented the Engineering Report to the Board.

V.P. Shapley reported that year-to-date new services (1,346) are up by 23% from last year-to-date (1,092). As of May 2018 year-to-date 2,050 jobs were engineered versus 1,872 last year-to-date up by 14%. There were 1,882 year-to-date new work order request versus 1,872 last-year to date and increase of 1% engineered and sent to construction for installation, of which 280 were for new services.

V.P. Shapley reported that 21,542 RF (Radio Frequency) Meters have been installed on our systems as of the end of May.

Dave, also reported that there were 5,494 Miss Utility locates for the month compared to 5,126 in 2017. DEC's Peak Demand (Purchases) (MW) month-to-date 296.6 compared to 275.1 past-year-month-to -date an increase of 7.82%.

OPERATIONS & MAINTENANCE REPORT

Vice President, Operations Jesse Spampinato presented the Operations report to the Board. V.P. Spampinato reported that our year to date system average frequency index (SAIFI) ratings were 0.590 versus 0.475 last year to date up by 24.2%. The year to date system average interruption duration index (SAIDI) ratings are 35.84 minutes per member in 2018 versus 27.47 minutes in 2017. The year to date customer average interruption duration index (CAIDI) ratings are 60.71 minutes per member 2018 versus 57.80 minutes per member last year to date up by 5%.

V.P. Spampinato reported that on May 14, 2018 DP&L dropped the Transmission Line to Dirickson Substation twice. Effecting 7,499 member for approximately twenty minutes each occurrence utilizing SAIDI ratings at 3.26 minutes per member and SAIFI ratings at 0.155 interruptions per member.

REGULATORY REPORT

V.P. Nielson provided the Board with an update on the Bruce Henry Solar Farm. For May the solar farm produced 719,011 kWh and had an 802 kW impact on our coincident peak. For the month the kWh production was 12.24% more than forecast. For the year, the solar farm produced 2,780,313 kWhs.

V.P. Nielson presented the 2017 – 2018 RPS Comparable Plan Compliance Report to the Board for their review. This report, as required by legislation, will be provided to the legislature and the Delaware Energy Office.

V.P. Nielson provided updates on the Offshore Wind Working Group and the status of the Clean Bay Renewables energy project in Georgetown.

V.P. Nielson reviewed with the Board the following policy draft changes; 500.16 Reimbursement of Employee Expenses, 500.23 Family Medical Leave Act, and 500.30

Security Program. Following the review and discussion the Board of Directors voted to approve the review and changes.

ODEC REPORT

Director Henry discussed in detail the Confidential ODEC report summarizing facts released from the April, 2018 ODEC Board Meeting.

TECHNOLOGY REPORT

Dwayne Street, Vice President of Technology summarized his report to the Board. He reported on the following: Critical Infrastructure Availability in May: SCADA, Phone System and iVUE (Member Care and Billing) operated at 100% during the month of May. Our Outage Management was scheduled for security maintenance on 5/23/18-30 minutes and our Wide-Area Network (Fiber) was scheduled for maintenance at Pepper Substation on 5/29/18-60 minutes.

Dwayne reported that the Systems Automation indicators –Outage Reporting at 94% and Payments-Automated by IVR, by Web, Mobile Apps, by Mail and Walk-Ins were at 63%.

Dwayne also noted that Cyber Security-Educational Awareness Program had a failure rate of <1% with concentration on Advanced Threat Protection and Penetration Test external network testing, internal network testing and internal PCI testing.

MEMBER SERVICES REPORT

Vice President Rob Book asked the Board to review the Member Service Report placed in the drop box. There was a discussion on Article III-Directors By-Laws to change the wording preceding his to preceding the. A motion was made to ratify the By-Laws, seconded, and unanimously carried.

ANNUAL MEETING COMMITTEE REPORT

Vice President Rob Book reported that the State Fair is Thursday, July 19 through Saturday, July 28, 2018 at the State Fairgrounds in Harrington, Delaware. Tickets for the State Fair will be available at the next board meeting. Please see Rob if you need tickets. In the DEC

booth the new Nest thermostat will be on display. DEC will also feature a Chevy Bolt EV. We began the pilot program for the EV Chargers, ten charges have been given out to our members.

DEC's Annual Meeting will be Tuesday, August 7th at the Delaware State Fairgrounds in Harrington. Five seats are open for election with one year At-Large seat opposed. Mr. Cotton Collins is the opposing candidate for incumbent and Director Daisey's seat. Music will be provided by the Jones Boys and Junior Wilson. Door prizes will be ten billing credits for \$50.00 each.

LEGISLATIVE REPORT

Director Towles reported that with two weeks remaining before the end of the 149th General Assembly, he updated the Board with the following:

- The Operating Budget for FY19 is completed and has been introduced as Senate Bill 235, along with a companion bill, Senate Bill 236, which appropriates \$49,167,700 in one time expenditures.
- The Bond Bill Committee started its meeting last week and has meetings scheduled this Wednesday and Thursday to complete the FY19 capital improvements budget.
- B456- bans all use of lead paint on outdoor structures, which include electric poles.

NRECA

Director Woody Noel reported that Delaware Electric was highlighted for being the lowest rate in the Association.

NRECA will elect new officers this year. The Regional 1-4 meeting is September 5-7, 2018 to be held at Columbus, Ohio. Please read over NRECA's information that was placed in the drop-box for you to review.

PRESIDENT'S REPORT

President & CEO Bill Andrew summarized the components of the President's Report as outlined on the Board agenda.

A motion was made, seconded and unanimously carried in which DEC would match the contribution Phil Collison donated back to the VMD Scholarship fund of \$1,700 his winnings at the Gaff-n-Go Lineman's Rodeo.

VMD COMPARISON REPORT

Bruce Campbell, Vice President of Finance & Accounting gave a Power Point presentation to the board comparing DEC with the other cooperatives in the VMDAEC. The presentation covered such subjects as comparison of expenses per consumer, residential cost per KWH, revenue per mile of line, Operating TIER, consumer services expense per consumer, as well as consumers per mile of line and consumers per employee.

ADJOURNMENT

A number of other issues of interest to the Board were electronically mailed approximately a week prior to the meeting. Chairman Wells asked the Board if they had any questions concerning these items. Having none, the meeting is recessed at 3:57 p.m.

REGULAR MEETING RECONVENES

The Board of Directors went back into regular session and will need to review Policy 400.14 at the next Board meeting.

EXECUTIVE SESSION

Chairman Wells called for an Executive Session at this time. The meeting is adjourned at 4:45 p.m.

Secretary

Chairman