

**DELAWARE MUNICIPAL ELECTRIC CORPORATION**  
**Special Meeting of the Finance Committee**  
March 31, 2021  
Smyrna, Delaware

A meeting of the Finance Committee of the Board of Directors of the Delaware Municipal Electric Corporation was held on March 31, 2021 via Zoom.

The meeting was called to order at 11:04 a.m.

The following roll call was presented:

Committee Present:

Pamela Patone, Chair  
MSC of New Castle, General Manager/Secretary  
Tyler Reynolds  
Town of Middletown, Finance Manager  
David Del Grande  
City of Newark, Finance Director

DEMEC Board Members:

Mary Ellen DeBenedictis, Director  
Representing Clayton  
June Merritt, Alternate  
Representing Seaford

DEMEC Staff Present:

Patrick McCullar, President & CEO  
Kimberly Schlichting, COO-SVP Power Supply  
Stephanie Dove, Director of Accounting and Settlements

Special Guests:

Lester Guthorn, Public Advisory Consultants, Inc., DEMEC Financial Advisor

APPROVAL OF MINUTES

None.

The Finance Committee is an advisory-only committee of the DEMEC Board of Directors and has no power to finally approve or order any action. The power to act rests exclusively with the DEMEC Board of Directors.

## FOLLOW UP ON ACTION ITEMS

### Discussion on bond financing analysis

Mr. McCullar presented the four financing options under consideration for the refinance of the 2011 Bonds. Mr. McCullar noted that the Level Debt Service Financing option #1 would 1) produce the lowest cost option in real dollars and cash flow and 2) allow additional savings as cash on hand to mitigate risks and the participants can decide what to do with the savings.

Mr. Guthorn noted that the participants have a dependency on electric funds transfer to other funds and traditional financing allows financial flexibility for the participants by having access to the funds rather than tying them up in the bond issue.

Mr. McCullar advised that DEMEC has received two rating agency letters in the past few days and the rating agencies both noted the strong project reserves and DEMEC company wide reserves as a positive. Additionally, it was noted in both letters that decreases in cash could cause an adverse effect on the ratings. Ms. Schlichting also commented on the fact that both rating agencies asked about the cash reserves and if they are restricted.

Mr. DelGrande noted the concern of the amount of debt on the DEMEC books and does believe that the new bond issue will be refinanced at the 10-year call point. Ms. Patone believes we should take advantage of the additional savings offered in the Deferred Debt Service Savings option #2. Mr. Reynolds asked about the Line of credit and Letter of credit facilities. Mr. McCullar explained what the credit facilities were to be used for.

Mr. McCullar and Mr. Guthorn added that DEMEC staff and the Financial Advisor recommend the Level Debt Service Financing option #1 to gain current real savings for the Project Participants as no significant savings will be realized with option #2 until year 16 and given that there is a 10-year call option, there is potential that the savings in year 16 – 20 will not be realized. Nobody knows what will happen in the first 10 years. Backloaded savings most probably will not be realized.

Mr. DelGrande made a motion to recommend option #2, Deferred Debt Service Savings, which was seconded by Ms. Patone. Motion to recommend carried unanimously.

Ms. Patone expressed her disappointment that staff did not agree with the Committee. She feels it is always better to have staff agree with the Board and Committee.

## BUSINESS FROM THE FLOOR

None.

## EXECUTIVE SESSION

Motion was made by Mr. Reynolds and seconded by Mr. Del Grande to go into Executive Session at 11:19 am to discuss generation operations. The Finance Committee ended the executive session at 11:31 am.

No recommendations for board approval were proposed in executive session.

Special Meeting of the Finance Committee (continued)  
March 31, 2021

ADJOURMENT

The Special Meeting of the Finance Committee adjourned at 11:54 a.m.

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