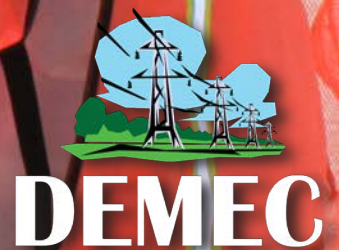


Delaware Municipal Electric Corporation

Powering Communities Together.





About The Delaware Municipal Electric Corporation

Dedicated to serving eight communities in our great state that own and operate their electric systems, The Delaware Municipal Electric Corporation (DEMEC) **provides wholesale electric power supply and other services** to benefit nearly 100,000 residents and local businesses in *New Castle, Newark, Middletown, Smyrna, Clayton, Milford, Seaford, and Lewes*. Over the past ten years, all our member systems have experienced annual growth rates well above the national average.

Established in 1979, DEMEC's mission is to support our members' success and relevance by delivering excellence in competitive, reliable, sustainable power supply and innovative services, **advancing the benefits of community-owned utilities**. As a Joint Action Agency, we supply our members' power requirements from an optimized mix of owned generation resources and contracts with other generators, utilizing economies of scale to secure **competitive power supply pricing**.

The evolution of the electric industry is rapid and complex. The growing interest in non-carbon energies, battery storage, and electric vehicles are driving immense changes to the electric grid. DEMEC actively works with our members to address these challenges and find opportunities.

Nationally Recognized Reliability

Reliability is at the core of our mission, so it is no surprise that **our members continue to receive national recognition for their commitment to reliability**. Several of our members have received the American Public Power Association (APPA)'s Excellence in Reliability Certificate or Reliable Power Public Provider (RP3) designation.

The **Excellence in Reliability Certificate** recognizes utilities for high reliable performance by comparing their outage records against nation-wide data gathered by the Energy Information Administration. To receive the certificate, the utility must be in the top 25% of utilities with the lowest system average interruption duration. In 2020, the Municipal Services Commission of the City of New Castle earned this certificate.

To be a **Reliable Public Power Provider (RP3)** designee, utilities must demonstrate high reliability, safety, work force development, and system improvement. Criteria within each of the four RP3 areas are based upon sound business practices and recognized industry leading standards. DEMEC members that are currently recognized as RP3 designees are the Lewes Board of Public Works, City of Seaford, City of Newark, and City of Milford.

BOARD OF DIRECTORS



DEMEC is governed by an eight-member Board of Directors, with one Director from each of the member municipal electric utilities. The responsibility for day-to-day operations of the agency resides with the President appointed by the Board. The President directs the efforts of the staff members and various contractual relationships in place to meet the service requirements of the members, and sits on the board as an ex-officio member.

DEMEC Board of Directors

Morris Deputy

Chair
Town of Middletown

Austin Calaman

Director
Lewes BPW

Mary Ellen DeBenedictis

Secretary
Town of Clayton

Scott Blomquist

Director
*MSC of the City of
New Castle*

Charles Anderson

Director
City of Seaford

Thomas Coleman

Director
City of Newark

Andrew Haines

Director
Town of Smyrna

Mark Whitfield

Director
City of Milford

Patrick E. McCullar

President & CEO
DEMEC

Alternate Board Members:

JJ Burnett, *Clayton*
David Del Grande, *Newark*
June Merritt, *Seaford*
Tyler Reynolds, *Middletown*
Dr. Roy Sippel, *New Castle*
Louis Vitola, *Milford*
Cassandra Young, *Smyrna*

Senior Management

Patrick E. McCullar
President & CEO

Kimberly Schlichting
COO/SVP Power Supply

Finance Management

Stephanie Dove
Director of Accounting & Settlements

Communications Management

Heather Contant
Director of Media Relations & Communications

President's Message




The year 2020 will certainly be a year for the history books. The COVID-19 pandemic impacted every person and business in our nation. While 2020 marked DEMEC's seventh consecutive year of strong financial performance, it also highlighted **our resiliency and the strength of joint action**. Total net revenues from operations decreased 8% primarily from the planned decrease in wholesale rates billed to members and lower generation revenue caused by lower market prices and consumer demand. Total net operating expenses decreased by 5% still resulting in a favorable increase in net position. We continue to deliver significant value to our members through **wholesale rates that have decreased 26%** over the past ten years and **investing over \$265 million in generation and infrastructure** since 2018. Total revenue decreased 34% due to lower revenue from members, reduced generation operations responding to lower consumer demand, and lower fuel costs. However, because of our strong operational performance, **we returned \$7.4 million to our members during 2020**,

including \$250,000 towards financial assistance for member customers facing hardships due to COVID-19. Revenue from member billings decreased 5% with revenues from generation operations decreasing 18%. Change in net position was positive and **Total Cash and Investments remained constant at \$28.6 million**.

Overall, the company's financial strength, efficient operations, beneficial asset mix and robust service provision is providing increasing value to our member communities; giving them the resources they need to succeed in the rapidly changing electric industry. The financial strength of the corporation is demonstrated by the stability of our credit ratings. The three credit rating agencies, Moody's, S&P Global Ratings and Fitch Ratings, have affirmed our ratings of "A1", "A" and "A", respectively. Moody's upgraded our rating, in 2020, to A1 from A2 based on operational efficiency and the strong financial performance of our Beasley generation asset. Strong financial health improves our access to capital to execute the corporate strategies that benefit our member communities.

As DEMEC adapts to the ever-changing electric industry we face changes in the regional electric industry that will challenge our ability to continue providing stable, competitive wholesale power supply to our member communities. While energy costs have significantly dropped, other components of wholesale power supply cost have significantly increased over the years. The main drivers of these higher power supply costs are increasing state regulation, government mandates, and rapidly increasing transmission costs. DEMEC continues to fight unjust and unreasonable transmission rate increases at FERC, saving Delaware electric customers hundreds of millions of dollars in avoided transmission costs. However, **wholesale transmission costs in the PJM market have increase 119%** since 2011 with U.S. transmission investments at \$20 billion per year, according to a report by the Brattle Group. Furthermore, in January of 2021, the Delaware General Assembly approved an **increase in the Renewable Portfolio Standards from 25% to 40% by 2035**. DEMEC is actively working with members to continue supporting renewable generation and energy efficiency





programs that reduce customers' electric use in ways that save money and reduce impact on the environment. In my view, our future challenges lie not in identifying the ideal asset mix, integrating technology, or properly executing metrics for efficiency or reliability. While these remain important, **the real challenges lie in understanding, influencing, and keeping pace with the evolving societal, political, and regulatory forces driving sweeping policy changes in our industry.** In 2020, the DEMEC Board of Directors approved a new Strategic Plan focused on the mission and vision to deliver excellence in competitive, reliable, sustainable power supply and innovative services, advancing the benefits of community-owned utilities. To remain relevant and valuable to our member communities, we must be able to rise to the challenges and capture the opportunities. We must work together, Board and Senior Management, to evolve our organization and mesh with the coming new environment so we can continue to bring value to our members and they can remain relevant and successful in the new industry.

We continue to seek new investments in generation assets and infrastructure improvements in our community systems for the benefit of our members. DEMEC recently assisted with deploying AMI ("Smart Grid") systems in Seaford and Milford, with the Town of Middletown beginning deployment in 2021 and other members looking to start in the coming years. Furthermore, the DEMEC Energy Efficiency Program, in all of our eight member communities, continues to bring energy savings that will help customers year after year.

Moreover, we have increased our human resources to address increased service needs of our members. We will continue to leverage our mutually beneficial partnership with American Municipal Power, Inc. ("AMP"), which began in 2011, to improve service provision to our members, develop new efficient generation assets and create additional service offerings that increase efficiency and reliability for our member community electric distribution systems.

In closing, I want to recognize our skilled and valued staff for all their efforts as well as the wonderful people we work with at our member communities. **To the essential workers and first responders that make up the electric industry and serve their local communities every day, even during a national pandemic, thank you.** Our strong connection with our members continues to be a key asset in an increasingly competitive market and dynamic industry. While the changes coming in our industry will be challenging, we are well prepared to adapt and meet members' evolving needs and services to maximize the organization's value to its member communities.

Sincerely,



Patrick E. McCullar
President & CEO



Purpose Driven Power

Community-owned, public power utilities are **customer focused, locally controlled, and operated on a not-for-profit basis**. Each tailors its services to the needs and preferences of the local community.

Benefits of living and working in a community that provides electric service include rate stability, support for local jobs, policies that are in line with community priorities, and financial support for local government functions. Held accountable by their friends and neighbors, community-owned utilities provide **outstanding customer service and support local economic development** opportunities.

Public power has a longstanding history with DEMEC member electric utilities supporting their communities for more than 100 years. The strength of public power is shown through the network of over 2,000 cities and towns throughout the United States providing power through community-owned utilities.

Driven by the principle of **providing reliable power at the lowest possible cost**, DEMEC remains committed to helping its members provide innovative, competitively priced, reliable, safe, and environmentally responsible electric service. DEMEC strives to provide best-in-class operations and serve as a trusted resource to its member utilities and the citizens they serve.

Being a public power community means **revenue is continuously reinvested back into the community** to improve quality of life and maintain critical infrastructure for businesses and families. Public power provides communities with vibrant parks, well-maintained streets, bustling recreational programs, local libraries, a strong police force and more. DEMEC is proud to preserve and protect the benefits of living and working in public power communities.





Why Public Power and Joint Action Work

Public power is an American tradition that works. DEMEC member service territories are centrally and locally concentrated to focus more closely on service reliability. As members of a joint action agency, these communities can take advantage of aggregate pricing and nearby mutual aid.

We live and work in the communities we serve, enabling us to perform timely and consistent, preventative maintenance - from tree trimming, conductor, pole, and line upgrades, to regular inspections and tests of generation equipment, facilities, and substations. So, instead of reacting to outages, DEMEC works with its members to proactively minimize them. The result? **Nationally recognized service reliability and growing economic development.**



Our commitment to reliable electric service in our member communities has never wavered, even in the face of some of the worst winds, winter snow and ice storms. From Hurricane Sandy in 2012 to Hurricane Isaias in 2020, **public power communities maintained electric service and repaired outages faster and safer** through the strength of joint action and mutual aid. Where many utilities measure outages in days/weeks public power communities measure in minutes/hours.

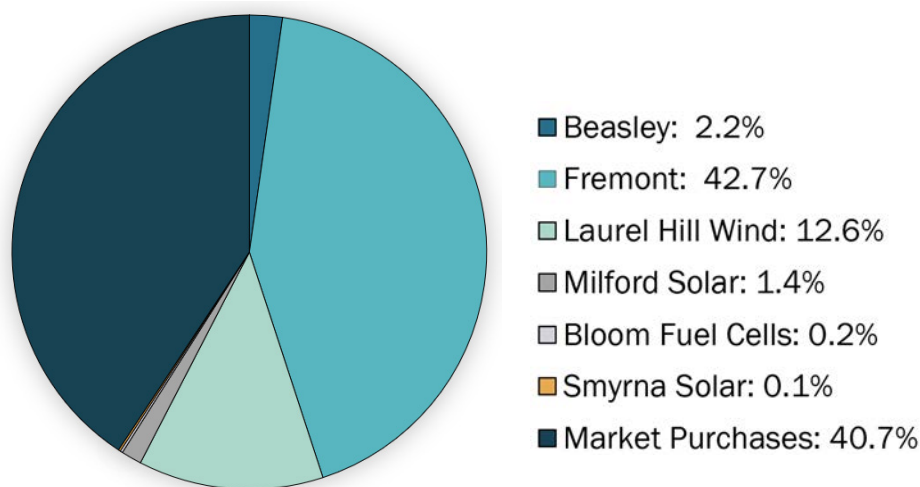


POWER SUPPLY RESOURCES

DEMEC invests in a variety of generation sources to **maximize benefits and manage risk to our members**. In doing so, we maintain low costs, strong reliability, reduce carbon emissions, and protect from price volatility. This prevents high price fluctuations for customers and protects the environment for future generations.

DEMEC's high credit ratings and on-behalf-of financing allows us and our members to build and own efficient generation facilities more economically than purchasing energy at market rates. Over ten years, DEMEC has **reduced market purchases from 95% to 40.7% using a diverse power supply mix**.

2020 Resource Mix



These assets include natural gas, solar, and wind energy; all of which have extremely low to no emissions. DEMEC has invested in over 26MW of utility-scale solar, 71MW of wind, and 215MW of natural gas generation. **Over 90% of DEMEC's power supply consists of low to no carbon emissions.**

DEMEC continues to support renewable energy, expand demand response resources, and increase the impact of energy efficiency to reduce our carbon footprint. Since 2018, our energy efficiency program has **saved customers over 5 million kilowatt hours of energy, equal to 648 homes' electricity use for an entire year.**

Through prudent investments and strategic market purchases **DEMEC has reduced wholesale rates by 26% and reinvested \$76.7 million back into our member communities over the past ten years.**

Protecting Delaware Electric Customers

Delaware's location on a peninsula makes energy supply from out of state challenging. Supply lines for natural gas and electricity can come only from the north. DEMEC has built generation on the peninsula to address this problem and has supported building more, clean, renewable generation assets throughout Delaware to solve local energy supply problems and **generate lower energy costs for all Delawareans.**

DEMEC continues to fight increases in transmission and other charges on the regional and federal level not only to help its members, but all Delawareans.

No matter who delivers your electricity, all Delaware electric customers have the same transmission costs. DEMEC aggressively fights increases in this charge, and has for decades, **saving Delaware electric customers millions of dollars in avoided transmission charges.** As a not-for-profit, we look out for the customer, not shareholders or corporate profits. We believe locally controlled, public power is the business model that benefits and protects customers the most. Public power delivers highly reliable electric service at not-for-profit costs while **providing added benefits to the communities they serve.**



Credit Ratings for DEMEC's Electric Utility Bonds Series 2011:

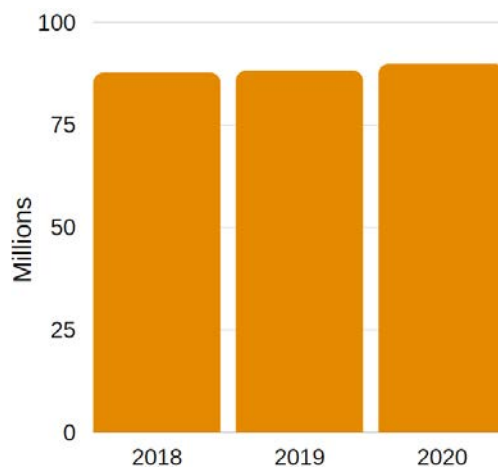
A **Fitch Ratings** reaffirmed DEMEC's 'A' rating, in 2021, with a stable outlook. The rating reflects the strong performance of the Beasley Power Station and its increasing value.

A **S&P Global Ratings**, in 2021, reaffirmed DEMEC's 'A' rating with a stable outlook. The rating reflects several factors S&P views as positive, including strong coverage of project debt and a strong operating record of the Beasley Power Station acting as a hedge against peak power costs in the PJM market.

A1 **Moody's Investors Services** reaffirmed DEMEC's 'A1' rating in 2021 with a stable outlook. The rating reflects management's experience and success with construction and operations and Beasley's demonstrated strong financial performance, owing to the incremental revenues and cash flow it receives from the PJM capacity auction. This supplements the stable cash flow received from its members and includes the incremental revenues and cash flow from the PJM energy market.

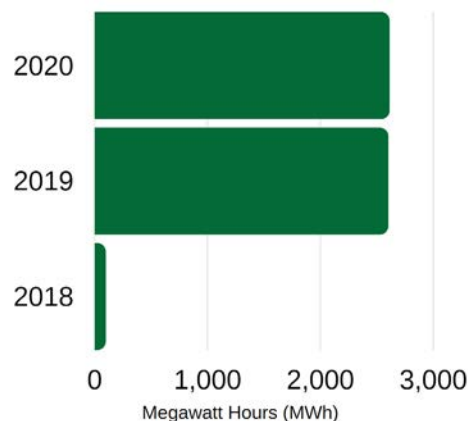
DEMEC Infrastructure Investment:

DEMEC invests in generation, infrastructure, and innovative technology on behalf of our members. In 2020, **DEMEC invested \$90 million** to enhance and support reliable electric service in member communities.



Savings through DEMEC Energy Efficiency Program:

DEMEC member customers have lowered their electric consumption by over 5,000MWh through DEMEC's program. As of 2020, **lifetime customer savings reached nearly \$8.3 million.**



2020

\$127 million

Total revenue from member sales and generation operations

\$8.1 million

2020 margin before distribution to our members

\$7.4 million

Distributed to our members

1,348 GWh

Total giga-watt hours delivered to our members

304 MW

Total non-coincident peak of DEMEC members

26 percent

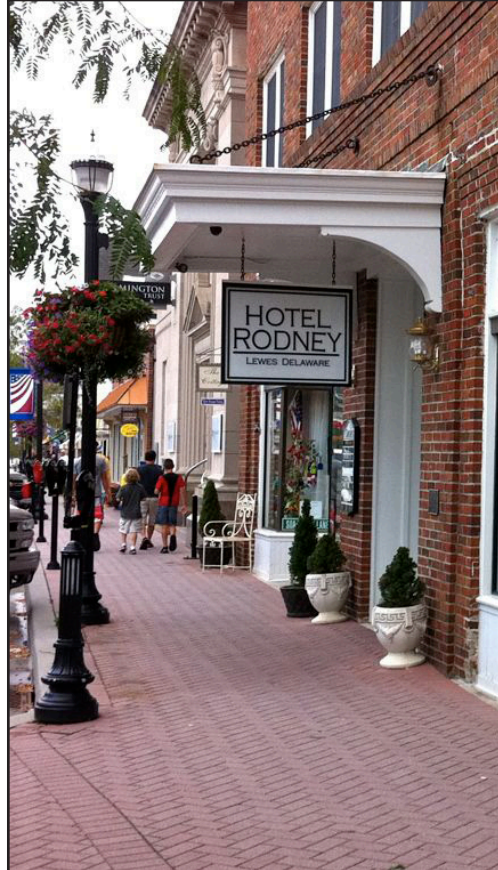
Cumulative 10-year rate reduction

Investing in the Local Community

Businesses enjoy rates in our member communities comparable to or better than those of other electric utilities in the region. New businesses are attracted to our communities not only by lower electric rates, but also the community's "total package infrastructure" advantages and incentives, which can provide them with a significant edge. Our communities are a prime location for hospitals, grocery stores, schools, parks, warehouses, manufacturing, and more. Businesses served by our member communities include the Walmart Distribution Center, Amazon, Johnson Controls, Perdue, and the University of Delaware STAR Campus.

Our community-owned status generates more than reliable electricity, it also generates new jobs and allows us to make infrastructure projects a top priority.

When one or more of our communities has a local electric infrastructure project, DEMEC can finance and build all or part of it, at a more attractive rate than they can get on their own. For very large scale projects, DEMEC can partner with other public power entities to issue tax-exempt debt through trusted investment bankers, bond buyers, and counsel. Due to DEMEC's excellent credit rating, money is raised at a reduced cost and lower interest rates, which enable communities to invest the money saved in other needed improvements and services. Often these investments include quality of life initiatives in our communities, an opportunity not available under other electric utility models.



Ensuring Stability Into the Future

If there is one certainty in the energy industry, it's change.

Changes in regulations on the state, regional, and federal levels, on top of rapid technological advancements, require DEMEC and its members to work together to maintain stable, relevant, and reliable electric service.

This is why DEMEC, in concert with its member communities, is constantly fighting for fair treatment in regulations affecting both not-for-profit and investor-owned utilities of all sizes. We ensure that communities have local control and local decision-making in order to **deliver on public power's promise of reliable, environmentally responsible electricity.**

DEMEC members have been upgrading infrastructure, adding new transmission lines, building new substations and community solar, launching smart meter technology, and implementing electric vehicle programs to **assist with the growing needs of their communities.** New infrastructure and technology allow our members to operate more efficiently and maintain the level of reliability and service their customers have come to know and trust.

Lastly, we are **working together for the social, environmental, and economic stability of each community** through the revenues we return to them and local jobs created. Over the past 10 years, DEMEC has given back to its members approximately **\$77 million to reinvest in their communities.**



Commitment to Carbon Reduction

Currently, over 90% of DEMEC's power supply comes from extremely low to no carbon emission resources. That means electric customers in our member communities are already benefiting from our environmentally focused shift in energy resources, like solar and wind. While increasing renewable energy sources, DEMEC members also continue to provide the nationally recognized reliability customers know and expect with the support of dependable natural gas and other market contracts. Over the past ten years, **DEMEC has reduced its carbon footprint by 50%** through our commitment to sustainable energy sources and energy reduction programs.

In 2008, DEMEC's power supply portfolio consisted almost entirely of market purchases from PJM. Today, nearly **60% of DEMEC's diverse power supply comes from member-owned generation assets**, driving our carbon emissions reduction. On top of a more sustainable power supply mix, DEMEC goes further with energy saving, carbon reducing programs for members.

DEMEC's member communities participate in an energy efficiency program called *Efficiency Smart*. To date, the lifetime savings of the program result in over 76,985 MWh of energy savings. That is the same as **eliminating nearly 60 million pounds of coal burned at coal plants or equal to planting 71,085 acres of mature forest**. For businesses looking to do a little bit more towards energy reduction, we also offer a demand response program that brings additional savings.

DEMEC's *Power Savers Business* is a demand response program where businesses respond to energy reduction calls during times of high energy usage. In 2020, participants reduced energy usage by 13.8 MWh resulting in **carbon savings equal to 24,211 less miles driven** on the road.

DEMEC and our member communities stand behind public power's principle of environmental stewardship and providing sustainable, reliable power.

Contact Information

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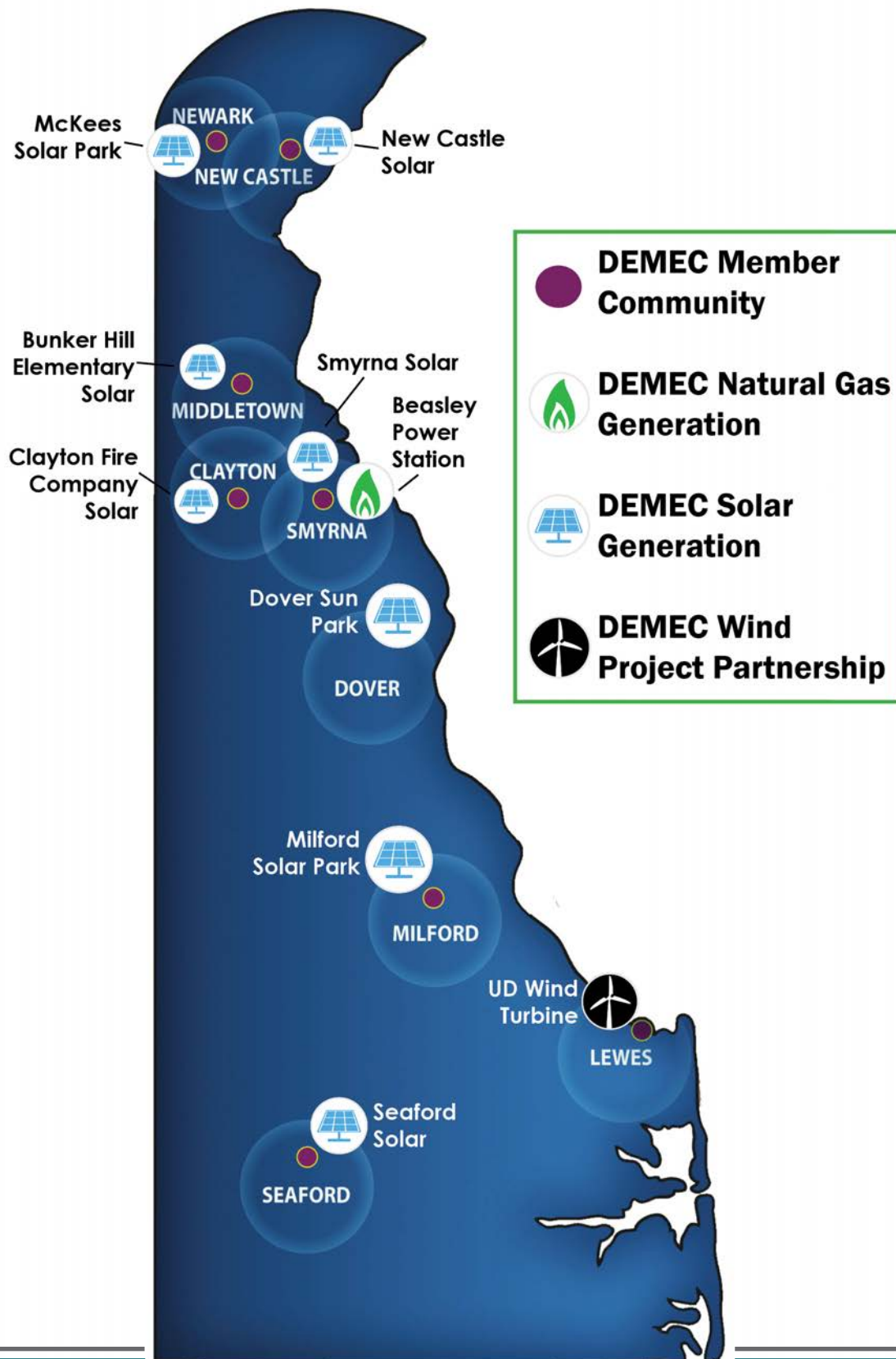
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Member Communities



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Delaware Municipal Electric Corporation

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Together.***

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Designed by: Heather Contant

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