

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
Remotely Via Zoom
February 15, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday, the 15th day of February, 2022 remotely via Zoom.

The meeting was called to order at 10:02 a.m. with Morris Deputy, Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Board Chairman
Representing Middletown
Tyler Reynolds, Alternate
Representing Middletown
Austin Calaman, Director
Representing Lewes BPW
Kim Bellere, Alternate
Representing Lewes BPW
Mary Ellen DeBenedictis, Director
Representing Clayton
Tom Coleman, Director
Representing Newark
David Del Grande, Alternate
Representing Newark
Scott Blomquist, Director
Representing the MSC of New Castle
Dr. Roy Sippel, Alternate
Representing the MSC of New Castle
Mark Whitfield, Director
Representing Milford
Lou Vitola, Alternate
Representing Milford
Charles Anderson, Director
Representing Seaford
June Merritt, Alternate
Representing Seaford
Andrew Haines, Director
Representing, Smyrna
Kimberly Schlichting, President
Representing DEMEC

DEMEC Staff Attending: Heather Contant, Director of Government & Community Relations; Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Chief Financial Officer & Interim COO; Kendra Friel, Training & Events Coordinator; Emily Greene, Compliance Administrator;

Scott Lynch, VP Asset Development; Charles Santo, Accounting Analyst; Stephan Siok, Director of Beasley Plant Operations & Compliance;

Guests and Attendees: Susan Tamagni, Senior Relationship Manager, PNC Capital Advisors; Max Walton, Attorney, Connolly Gallagher

APPROVAL OF MINUTES

The minutes of the following meeting were presented for approval:

1. Minutes of January 18, 2022

Upon motion made by New Castle, to approve the minutes of the meeting of January 18, 2022, seconded by Milford, the motion passed unanimously.

TREASURER'S REPORT

Monthly Financial Report – December 2021 –

Ms. Stephanie Dove, Chief Financial Officer and Interim COO reviewed the December 2021 Monthly Financial Report. She noted that 2021 saw the highest demand in DEMEC history and was higher than that of 2020 by 4.2 %. Warm weather in December caused a drop in demand, but all demand lost due to Covid-19 has returned.

Unrestricted cash on hand is down slightly mainly due to scheduled asset repairs and scheduled debt service payments in December. The Rate Stabilization Reserve (RSR) is up 4000% over December 2020 due mainly to member demand. \$1.45M was credited to the RSR in 2021 vs a charge of \$32k in 2020.

Unadjusted income was also up over December 2020. PJM Market and Generation Revenues were the drivers of the increase as the average LMP in the DEMEC zone in 2021 was 77% higher than in 2020. Unadjusted Net income was 29% higher than that in 2020.

January showed a 7.7% increase in demand due to cooler weather. February through April are predicted to be mild but cold snaps may be possible.

Final audit field work will be taking place this week with all documents having been provided to the auditors. Staff will be working with Baker Tilly on the audit through the end of March. In January, a Moody's periodic review was released. This document has been uploaded to the BoardPaq Library for member review.

Ms. Dove ended her report by reminding members to let staff know of any projects coming down the pipeline, even if they are years down the road and final financing for contracted projects is projected for the first half of 2022.

Upon motion made by Clayton, to approve the Monthly Financial Report for December 2021, seconded by Smyrna, the motion passed unanimously.

Investment Report – Q4 –

Investment updates for Q4 will be provided under Presentations by the representative from PNC Capital Advisors.

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

Ms. Susan Tamagni, Senior Relationship Manager, PNC Capital Advisors, presented on DEMEC's 4th quarter investment portfolio and noted changes that she will reference as she goes through the presentation.

Basic statistics of the portfolio were reviewed, and all investments are now compliant with the DEMEC Investment Policy. De-risked results usually show lower returns, but in this case significant income is being seen. She explained unrealized losses and results due to customization.

Performance for the 4th quarter was benchmarked against the 1-year treasury index. She shared that DEMEC's portfolio exceeded the benchmark. From inception of the portfolio through December 31, 2021, performance far exceeded the benchmark.

Mr. David Del Grande, Alternate representing Newark, asked for more information on the steps taken to achieve policy compliance. Ms. Tamagni noted the policy requires full compliance at all times and a deadline of December 31, 2021 was set. She explained the reason for the steps taken. Mr. Del Grande shared how Newark handled a similar situation and recommended decisions like this be made on a case-by-case basis going forward. A discussion ensued.

Ms. Tamagni then explained portfolio characteristics and why the treasury index is used as a benchmark. She also shared an investment breakdown based on credit stating that AA bonds are rare. When selecting bonds, credit and relative value are taken into consideration.

Ms. Tamagni offered a review of the market changes and what to expect. She compared yield curves from January 2021 and January 2022 noting the difference is ideal for short investments. Within the next year 50% of DEMEC's investments will be invested at higher rates. She also elaborated on rising interest rates.

A detailed report was provided at the end of her presentation. She explained that since the portfolio is now compliant with DEMEC's Investment Policy there is no foreseeable reason to take further losses. A buy-and-hold strategy is in place, and she anticipates returns to increase significantly over the next year.

Mr. Tom Coleman, Director representing Newark, asked what type of asset backed securities are included in the portfolio. Ms. Tamagni elaborated on asset backed securities and why they are included in the portfolio.

In closing, Ms. Tamagni asked that questions be forwarded to Ms. Dove and offered to schedule a follow up meeting if necessary.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee –

Mr. Morris Deputy, Director representing Middletown and Board Chair, reported on the Executive Committee meeting held this morning. Topics of discussion include the DEMEC Organizational Chart, progress on open positions, and how these positions will fit in the chart. The new Significant Events Report and Beasley's O&M contract were also discussed. More on these topics will be shared in executive session.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford, reported that no meeting was held last month due to the beginning of the audit and staffing shortages. The next meeting is scheduled for February 24, 2022.

PRESIDENT'S REPORTS TO BOARD

Legislative Update –

Ms. Kimberly Schlichting, President & CEO, shared that DEMEC staff continues to participate in the Energy Stakeholder's Panel discussions. Solar developers have introduced a majorly rewritten bill, Net Metering 2.0. The bill is not in line with how participants would like to see legislation proceed. Staff will continue to attend in support of Public Power. Given the dramatic shift in language, the legislation is not expected to pass this year.

Staff will be attending the APPA Legislative Rally the end of this month, where meetings have been arranged with federal delegates to discuss public power interests and concerns.

Rate Study –

Utility Financial Solutions has been asked to provide numbers for 2019. Once received, a working group will be scheduled to review.

Joint Training Yard –

Plan changes will be submitted to the Town of Smyrna within the next few days. These are believed to be the final edits. Ms. Schlichting and Mr. Max Walton, Attorney, Connolly Gallagher, will be attending the Smyrna Board of Adjustment meeting to discuss sidewalk and curb requirements.

Tennessee Valley Public Power Authority (TVPPA) has been contracted to provide lineworker training at the yard. TVPPA representatives will be contacting each member's utility to schedule apprentice evaluations to gauge each lineworker's skillset and where it falls in their program. They plan to come to Delaware and complete all assessments within one week.

COMMUNICATIONS & OUTREACH

Ms. Heather Contant, Director of Government and Community Relations, reviewed social media reach and engagement for January 2022. She provided links to two Winter Energy Savings Tips radio commercials and explained how members can use the audio in educational videos.

Public relations efforts included Ms. Contant serving as a judge for an “Education Rising” competition at Smyrna High School. DEMEC has hosted events to connect with students that are part of the future workforce; however, due to Covid restrictions this was not feasible in 2021.

Media coverage included mention of DEMEC by the City of Seaford recognizing DEMEC for assisting with obtaining grants for the city’s first public access electric vehicle (EV) charging stations. Social media examples for the month of January were also shared.

Ms. Contant took a moment to share the newly developed member portal accessible on the DEMEC website. This portal will host information on Federal Infrastructure Grant opportunities and EV planning tools for the utility and customers.

TRAINING & EDUCATION ACTIVITIES

Training & Events Report –

Ms. Kendra Friel, Training & Events Coordinator, reported on recent & upcoming trainings. She highlighted rescheduled trainings: CPR/AED training for DEMEC staff and Best Practices in Public Power Governance. New additions to the training portal were noted as well as open and upcoming training surveys.

SUSTAINABILITY & DEVELOPMENT

Meeting Updates–

Mr. Scott Lynch, VP Asset Development stood on his report for this section.

Program Updates –

Mr. Lynch reviewed the Efficiency Smart Dashboard. He also reviewed Energy Efficiency Program Updates highlighting savings and LED lightbulb sales. The Efficiency Smart “Energy for Good” campaign is scheduled to run through February. Voting on the nominated non-profits will take place in March. Also in March, Efficiency Smart’s “Resident Electric Bill Advice” promotion begins. Efficiency Smart staff will provide learning opportunities for residents on cost-effective energy savings. He finished this portion of his report with a status update on Efficiency Smart contract renewals.

Mr. Lynch reminded members to complete their Demand Response applications and Exclusivity Agreements. These approvals are required to register with PJM. He asked that customers interested in the program be directed to him and encouraged each municipality to participate in the program. Enrollment must be completed by mid-May.

Mr. Lynch asked all members interested in RP3 designation to reach out to him.

Developmental Updates –

Mr. Lynch reviewed the status of broadband implementation. He provided links on broadband in Delaware and shared that Federal Infrastructure Grants are available for these projects. He is working with AMP to develop a grant application template for the DEMEC membership.

Ms. Schlichting noted that broadband can be reviewed more closely once additional staff has been hired.

Mr. Lynch shared that New Castle's AMI contracts have been fully executed and purchase orders are expected shortly.

He concluded this section of his report with a status update of asset development projects in Lewes and Middletown.

MRPS Report –

Mr. Lynch presented the MRPS report for board consideration and approval. This report is to be submitted to local regulatory bodies, the Delaware General Assembly, and DNREC.

Mr. Walton stated that since the report is being submitted to state agencies it must be approved in a roll call vote.

Upon motion made by Seaford, to approve the MRPS Report, seconded by Newark, the motion passed with seven votes in favor and one not participating.

City of Newark - Yes
MSC of New Castle - Yes
City of Milford - Yes
Town of Smyrna - Yes
Lewes BPW – Did Not Participate
Town of Middletown - Yes
City of Seaford - Yes
Town of Clayton - Yes

Mr. Lynch will submit the report by the beginning of March as required by statute.

IT UPDATE

Ms. Schlichting stated this report will be offered in executive session.

BUSINESS FROM THE FLOOR

Ms. Schlichting took a moment to congratulate Mr. Lynch on his 10-year and Ms. Friel on her 5-year DEMEC work anniversaries.

Mr. Andrew Haines, Director representing Smyrna, raised the possibility seeking a collection firm to serve all DEMEC members. The firm used by Smyrna was recently bought out. The new firm does not work with small clients. Discussion ensued. It was concluded that DEMEC will survey

the board for interest in a joint collections service. If there is enough member interest, further research into this potential project will be taken up by new staff when hired.

EXECUTIVE SESSION

The Board went into executive session at 11:21 a.m. upon motion by Smyrna, seconded by Clayton, to discuss the following:

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

The Board ended executive session and returned to regular session at 12:15 p.m.

RETURN TO REGULAR SESSION

No action taken.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Tuesday, March 15, 2022 – 10:00 a.m.
2. Tuesday, April 19, 2022 – 10:00 a.m.
3. Tuesday, May 17, 2022 – 10:00 a.m.

ADJOURNMENT

Upon motion by Milford, seconded by Newark, the Board Meeting adjourned at 12:15 p.m.