

DELAWARE MUNICIPAL ELECTRIC CORPORATION
REGULAR MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
April 19, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Tuesday, the 19th day of April 2022 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 10:03 a.m. with Tom Coleman, Vice-Chair, presiding.

The following roll call was presented:

Present:

Tyler Reynolds, Alternate
Representing Middletown
Andrew Haines, Director
Representing Smyrna
Tom Coleman, Director
Representing Newark
Dave Del Grande, Alternate
Representing Newark
Mark Whitfield, Director
Representing Milford
Scott Blomquist, Director
Representing the MSC of New Castle
Charles Anderson, Director
Representing Seaford
June Merritt, Alternate
Representing Seaford
Austin Calaman, Director
Representing Lewes BPW
Kim Bellere, Alternate
Representing Lewes BPW
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; Charles Santo, Accounting Analyst; Stephan Siok, Director of Beasley Plant Operations & Compliance

Guests and Attendees: Bethany Ryers, Firm Director, Baker Tilly; Max Walton, Attorney, Connolly Gallagher

APPROVAL OF MINUTES

The minutes of the following meeting(s) were presented for approval:

1. Minutes of March 15, 2022
2. Special Board Meeting of November 30, 2021

Upon motion made by New Castle, to approve the minutes of the meeting of March 15, 2022, seconded by Seaford, the motion passed unanimously.

Upon motion made by Seaford, to approve the minutes of the Special Board Meeting of November 30, 2021, seconded by Lewes, the motion passed unanimously.

TREASURER'S REPORT

Monthly Financial Report – February 2022 –

Ms. Stephanie Dove, Chief Financial Officer and Interim COO reviewed the February 2022 Financial Report. Demand was up 0.6% due to higher average temperatures and schools being fully open. Demand over January to February is up 3.9%. Cold weather and snowstorms in January contributed to this increase. Cash on hand is 4.4 % lower than in February of 2021. This was partially due to Beasley repairs during the second half of 2021. She highlighted the new “target” metric in the section of the report requested during the March Board Meeting. Unrestricted cash was up 9.9%, due to DPL’s reimbursement for Middletown.

Ms. Dove reviewed changes in the Rate Stabilization Reserve (RSR) which is currently double that of February 2021. This is due to an increase in billing costs caused by a rise in power supply costs, mainly PJM RTO fees. Another charge will be seen in March, to a lesser extent, as is typical for this time of the year.

Income through February 2022 was 48.5% greater than that of February 2021, not including RSR. There was a 9.2% increase in sales to members. This is on budget. The PJM market and generation revenue is 104% higher due to higher LMPs and increased generation opportunity. Power purchases were also higher due to a 27% increase in PJM RTO load charges. Net income was similar to February 2021.

The Spring Demand Forecast shows March demand rising approximately 1.4%. April through June are anticipated to have higher temperatures and customers are expected to begin using air conditioners in May.

The audit was completed timely and the report was issued on March 31st. Preliminary fieldwork began in November of 2021 and work was continued through March Ms. Dove thanked the Finance Committee for their support.

Ms. Dove noted a new Financial Advisor is now under contract. DEMEC staff met with the new advisor on April 14th.

Member financing pipeline projects were reviewed.

Mr. Scott Blomquist, Director representing New Castle asked why PJM's RTO rates fluctuated. Ms. Kimberly Schlichting, President & CEO explained several factors can effect these charges such as transmission outages which can impact congestion costs and ancillary services which help balance the grid.

APPOINTMENTS/ELECTIONS

None.

PRESENTATIONS

Audit Presentation & Discussion – Baker Tilly –

Bethany Ryers, Firm Director from Baker Tilly, provided the Annual Audit Presentation. She reviewed the responsibilities of Baker Tilly and shared that a risk-based approach was used for the audit. Baker Tilly management responsibilities, including the creation of a detailed review of the audit data, were also reviewed. In this audit no opinion was expressed on internal controls.

Key areas of focus not defined as significant risk were also explored in the audit. No exceptions were noted. The audit result was an “unmodified opinion” which is the highest result possible. There were no other findings or concerns.

Ms. Ryers noted that no material weakness over financial reporting was found. She stated this is the most desirable outcome.

Several upcoming government accounting standards were shared, with two being of note: GASB 87 on leases and GASB 91 on conduit debt. Mr. Tom Coleman, Director representing Newark and Board Vice Chair asked if conduit debt could potentially affect DEMEC. Ms. Ryers stated that it remains to be seen and shared factors involved in this determination.

TREASURER'S REPORT – cont.

Upon motion made by Smyrna, to approve the Monthly Financial Report for February 2022, seconded by New Castle, the motion passed unanimously.

Approval of 2021 Annual Financial Report –

Upon motion made by Smyrna, to approve the 2021 Annual Financial Report, seconded by Milford, the motion passed unanimously.

Acceptance of 2021 Management Letter & Audit Results –

Upon motion made by Seaford, to accept the 2021 Management Letter & Audit Results, seconded by Lewes, the motion passed unanimously.

RESOLUTIONS

None.

COMMITTEE REPORTS

Executive Committee –

Mr. Coleman stated the committee did not have a quorum today to meet, therefore no action to report.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford and Board Treasurer shared that the Finance Committee met with Baker Tilly. He praised the clean audit, noting that it is a huge achievement during a significant personnel change. He congratulated DEMEC staff on a job well done.

PRESIDENT'S REPORTS TO BOARD

Ms. Schlichting asked members to provide feedback on the provided 2021 Annual Report draft. This document will be combined with the 2021 financial statements and used as an educational tool. Mr. Coleman asked that all feedback be provided to Ms. Schlichting by Friday, April 22, 2022. After this date Ms. Schlichting will have the report assembled and prepared for distribution.

Ms. Schlichting noted that staff will be standing on remaining reports due to time constraints:

- Legislative Update
- Rate Study
- Joint Training Yard
- Job Descriptions
- Communications Update
- Training & Events Report
- Meeting Updates
- Program Updates
- Development Updates
- Energy Efficiency 3 Year Plan for Submission to DNREC
- IT Update

BUSINESS FROM THE FLOOR

None.

EXECUTIVE SESSION

The Board went into executive session at 10:30 a.m. upon motion by Milford, seconded by Lewes, 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 11:39 a.m.

RETURN TO REGULAR SESSION

Upon motion made by Seaford, to reclassify the budgeted Engineer position to a Special Projects Manager, seconded by Milford, the motion passed unanimously. Ms. Schlichting advised that she would be moving forward with advertising for the new positions, as discussed.

Ms. Schlichting offered that there could be an additional meeting scheduled to continue conversations as were discussed in executive session. The Board concurred.

Mr. Anderson suggested that DEMEC staff bring forward a compensation policy for consideration so it will be clear how compensation will be administered moving forward.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Tuesday, May 10, 2022 – 10:00 a.m.
2. Tuesday, June 21, 2022 – 10:00 a.m.
3. Tuesday, July 19, 2022 – 10:00 a.m.

ADJOURNMENT

Upon motion by Smyrna, seconded by Milford, the Board Meeting adjourned at 11:44 a.m.