

DELAWARE MUNICIPAL ELECTRIC CORPORATION
ANNUAL MEETING
DEMEC ADMINISTRATIVE BUILDING
SMYRNA, DELAWARE
September 14, 2022

A meeting of the Board of Directors of the Delaware Municipal Electric Corporation was held Wednesday, 14th day of September 2022 at DEMEC's Administrative Building, Smyrna, Delaware.

The meeting was called to order at 2:05 p.m. with Mr. Morris Deputy, Board Chair, presiding.

The following roll call was presented:

Present:

Morris Deputy, Board Chair
Representing Middletown
Tyler Reynolds, Alternate
Representing Middletown
Richard Wright, Alternate
Representing Smyrna
Tom Coleman, Director
Representing Newark
Dave Del Grande, Alternate
Representing Newark
Scott Blomquist, Director
Representing the MSC of New Castle
Mark Whitfield, Director
Representing Milford
Lou Vitola, Alternate
Representing Milford
Charles Anderson, Director
Representing Seaford
Mary Ellen DeBenedictis, Director
Representing Clayton
Rob Cote, Alternate
Representing Clayton
Austin Calaman, Director
Representing Lewes BPW
Kim Bellere, Alternate
Representing Lewes BPW
Kimberly Schlichting, President
Representing DEMEC

Absent:

Dr. Roy Sippel, Alternate
Representing the MSC of New Castle
June Merritt, Alternate
Representing Seaford

DEMEC Staff Attending: Jennifer Coulbourne, IT System Administrator; Stephanie Dove, Chief Financial Officer & Interim COO; Scott Lynch, VP of Asset Development; Temika Moore, Contract/HR Administrator; Willie Marshall, Director of Finance

Guests and Attendees: Max Walton, Attorney, Connolly Gallagher; Lincoln Willis, Principal, The Willis Group

Mr. Deputy started the meeting by welcoming Richard Wright to the table.

APPROVAL OF MINUTES

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

1. Minutes of August 11, 2022

Upon motion made by Newark, to approve the minutes, seconded by Clayton, the motion passed unanimously.

TREASURER'S REPORT

Monthly Financial Report – June and July 2022 –

Ms. Stephanie Dove, Chief Financial Officer and Interim COO reviewed the June and July 2022 Financial Reports. She noted that June and July will be presented together as they are the first two months of the summer demand season. Demand for the year is 1.6% higher than the prior period. Budgeted demand is on budget at 0.7% above budget through the end of July. June was down a little and July was up a little mainly weather related. For the overall year, the 1.6% demand increase over the prior year is attributable to normal growth.

For unrestricted cash on hand, collateral deposits that started back in February are still very active. There was a total increase in cash over the prior July 31st but a portion of that was collateral money provided from 3rd party suppliers. Year-to-date cash minus collateral deposits resulted in a decrease of 17% as compared to the previous July. The volatility in cash is collateral related; either posted or received.

The Rate Stabilization Reserve (RSR) for June and July is as expected. The first credit for the year was credited in June. The total June and July credit was 47.8% higher than prior year. Year to date member billings through July were 2.59% lower than the costs. Ms. Dove also discussed the 24-hour posting requirements for PJM auctions. In August, a letter of credit was put in place and DEMEC was able to call the cash back which will go back into the rate stabilization reserve in August. Liquid cash is important to have available as a letter of credit cannot be put in place within 24 hours.

Ms. Dove reviewed income through June and July, which was 55.5% greater than the prior July, mostly due to PJM market generation and revenue which remained very high. She explained several reasons for the increase. Beasley had its best performing July since 2018 and Fremont had

its best performing July since it went into operation in 2012. The generation assets are performing very well in the summer months and continue to perform well thus far in August which help keep the total cost down.

The power purchases are 58% higher but mostly driven by a 168% increase in RTO charges paid to PJM. The portfolio is doing very well despite the charges to PJM which there is no control over. At the end of July, the net income increased 25% over the prior July.

In the investment summary going back to June, end of quarter, the portfolio for the prior quarter over the year to date decreased a little. There is an increase over the life of the portfolio. Ms. Dove explained the reason for this change. The Finance Committee and DEMEC staff worked to distribute an RFP for investment services on September 6th to manage the portfolio.

Under Summer Demand Forecast, Ms. Dove noted anticipated demand was up 2.2% in August. Short term summer projections were that average temperatures would be warmer. Wetter and stormier weather are being predicted in the fall season and hurricane season is not over. Weather will be monitored closely and any weather events that may have an impact will be shared.

In the finance update, S&P Global confirmed on August 12th Beasley's A stable outlook. The bond continuing disclosures for the 2019 Series was filed timely but the 2021 Series was partially filed on June 17th. Ms. Dove explained why the 2021 Bond Series was partially filed. If the necessary data is received in September, the filing can be completed in October. The letter of credit posted to PJM was posted on August 15th and cashed returned on August 16th. The line of credit increase that the board approved at the June meeting was completed on August 12th. The 2023 budget process has begun and will be forthcoming.

Ms. Dove reviewed current pipeline projects and encouraged members to come forward with any anticipated projects.

Upon motion made by Clayton, to approve the Monthly Financial Report for June and July 2022, seconded by Milford, the motion passed unanimously.

APPOINTMENTS/ELECTIONS

The by-laws of the Corporation require an annual election of Officers of the Corporation. Chairman Deputy presented a slate of current officers who expressed their willingness to serve and then opened the floor for additional nominations. Hearing none, the board made motion to approve the presented slate and to approve Ms. Stephanie Dove as Vice President; motion made by New Castle, seconded by Milford, the motion passed unanimously.

The board approved officers:

Chair Morris Deputy, representing Middletown
Vice-Chair Thomas Coleman, representing Newark
President Kimberly Schlichting, representing DEMEC
Treasurer Charles Anderson, representing Seaford
Secretary Mary Ellen DeBenedictis, representing Clayton
Assistant Secretary Charles Anderson, representing Seaford

Assistant Treasurer Mary Ellen DeBenedictis, representing Clayton
Corporate Officer: Stephanie Dove, CFO, or as otherwise titled

The standing committees and members remain as follows:

Executive Committee:

Morris Deputy, Chair, representing Middletown
Thomas Coleman, Vice Chair, representing Newark
Charles Anderson, representing Seaford
Mary Ellen DeBenedictis, representing Clayton

Finance Committee:

Charles Anderson, representing Seaford
Tyler Reynolds, representing Middletown
David Del Grande, representing Newark

PRESENTATIONS

None.

RESOLUTIONS

Resolution 2022-5 Honoring Mr. Andrew Haines as a past board member –

Mr. Deputy reviewed Resolution 2022-5 Honoring Mr. Andrew Haines as a past board member.

Upon motion made by Milford to approve Resolution 2022-5 Honoring Mr. Andrew Haines as a past board member, seconded by Newark, the motion passed unanimously.

COMMITTEE REPORTS

Executive Committee –

Mr. Deputy noted the Executive Committee met today and started the CEO evaluation and will be giving the full board recommendations for review and approval at the October meeting. The DEMEC staff salary plan and wage scale were also finalized and will be reviewed in executive session.

Finance Committee –

Mr. Charles Anderson, Director representing Seaford and Board Treasurer, reported that the Finance Committee met on August 23rd. Since the board is moving to quarterly all-day meetings, approved at last board meeting, he suggested consideration for making an agenda item for budget and policy review. One of the goals for the committee is to review some policies and procedures, and the rate stabilization reserve policy is one currently being reviewed.

PRESIDENT'S REPORTS TO BOARD

Recognition of Employees –

Recognition of New Employees –

Ms. Kimberly Schlichting, President & CEO, introduced DEMEC's new employees listed below, offering a brief biography for each, their titles, and an overview of duties.

Ms. Temika Moore – Contract/HR Administrator

Mr. Willie Marshall – Director of Finance

Legislative Update –

Legislative update was reserved for executive session.

Joint Training Yard –

Ms. Schlichting provided an update on the joint training yard. She noted that progress continues and DNREC approval was received this week. We are waiting final approval from Kent Conservation District so that the Town of Smyrna can issue a certificate of occupancy. Groundbreaking could occur in October if we get the permits timely. DEMEC remains ready to go as soon as all the permits are in place. Regarding the joint training program, the training/module books have been mailed out to the lineworkers and scheduling has begun for the physical/hands-on training to be held before year's end.

Indian River –

Budget amendment regarding Indian River will be discussed in executive session.

Compensation Policy –

Compensation policy for DEMEC staff will be discussed in executive session.

DPL Meeting –

Ms. Schlichting reminded members that a meeting is scheduled with Delmarva Power on September 30th. Ms. Schlichting encouraged board members and involved staff such as distribution managers or engineers to attend this meeting.

Municipal RPS Report –

Mr. Scott Lynch, Vice President Asset Development, reported another successful year of management of the Municipal Renewable Portfolio Standard (MRPS) on behalf of the members. The state RPS was increased from 25% by 2025 to 40% by 2035 with a 10% carveout for solar. The most recent legislative change removed a cost cap provision and replaced it with a product availability provision. DEMEC maintains a comparable plan. Mr. Lynch explained the history and the report. Overall compliance target of 21% was achieved, matching the State's plan, as previously approved by the board.

Upon motion made by Newark, to approve the Municipal RPS Report, seconded by Lewes, the motion passed unanimously.

EXECUTIVE SESSION

The Board went into executive session at 2:41p.m. upon motion by Clayton, seconded by Milford, to discuss the following:

1. To discuss legislative updates
2. Budget amendment for Indian River
3. Compensation policy for DEMEC staff

The Board ended executive session and returned to regular session at 3:57p.m.

RETURN TO REGULAR SESSION

Salary Policy FY2023 –

Upon motion made by Milford, seconded by Newark, to approve Salary Policy for FY2023 and to approve the true-up payment as discussed during executive session, the motion passed unanimously.

Indian River RMR Costs and Resulting Staff Recommendation for Rate Adjustment –

Upon motion made by Newark, seconded by Milford, to approve Staff Recommendation for the Rate Adjustment, which increase is solely attributable to the costs allocated to us as a result of PJM's Indian River Reliability Must Run finding, to be spread out over 16 months with the exact calculation to be provided by staff shortly after to account for the 16 months, as discussed during executive session, the motion passed unanimously.

SET NEXT MEETING DATES

The following meeting dates were set:

1. Thursday, October 13, 2022 – 10:00 a.m.
2. Thursday, November 10, 2022 – 10:00 a.m. (Quarterly – Lunch to be provided.)
3. Thursday, December 8, 2022 – 9:00 a.m. (Holiday Luncheon.)

ADJOURNMENT

Upon motion by Clayton, seconded by Newark, the Board Meeting adjourned at 3:59p.m.