

COUNCIL COMMITTEE OF THE WHOLE

The Council Committee of the Whole met on August 15, 2017 at 6:00 p.m., with Council President Slavin presiding. Members of Council present were Mr. Anderson (arrived at 6:23 p.m.), Mr. Sudler (departed at 6:34 p.m. and returned at 6:40 p.m.), Mr. Neil, Mr. Cole, Mr. Polce (departed at 6:34 p.m. and returned at 6:35 p.m.), and Mr. Hare. Mr. Lewis and Mr. Lindell were absent. Mayor Christiansen was also present. Civilian members present for their Committee meetings were Ms. Arndt (*Utility*), and Mr. Shevock and Dr. Stewart (*Legislative, Finance, and Administration*).

UTILITY COMMITTEE

The Utility Committee met with Chairman Cole presiding.

AGENDA ADDITIONS/DELETIONS

Mr. Sudler moved for approval of the agenda, seconded by Mr. Neil and unanimously carried.

Alternative Solar Energy Announcement by DSU and Eastern Woodland Holdings LLC., for Potential Public Private Partnership Opportunity sponsored by Councilman Roy Sudler, Jr. 4th District and Brian Lewis 2nd District Councilpersons

Mr. Sudler indicated that he thought that this alternative solar energy proposal would be a great opportunity for a potential solar development in the City of Dover, noting that it was a partnership between Delaware State University (DSU) and Eastern Woodland Holdings LLC. He introduced Mr. Chris Coker, a representative for Eastern Woodland Holdings LLC. Mr. Sudler noted that Mr. J.D. Bartlett had an emergency to tend to at DSU; however, he had met with Mrs. Donna Mitchell, Acting City Manager, prior to the meeting to discuss what they were thinking about proposing to the City.

Mr. Coker informed members that he was representing Eastern Woodlands and DSU, and announced that they would be partnering up to do some solar together. He stated that they were still considering that; however, after meeting with Mrs. Mitchell, he believed that he would go after the Request for Proposals (RFP) for 30 megawatts (MW), noting that he thought he could fulfill the City's needs on that with DSU. Mr. Coker indicated that they were looking to do 20MW to 25MW but, if the station could hold it, they could perhaps do 30 MW.

Mrs. Mitchell reminded members that in the Integrated Resource Plan (IRP) that was presented to Council by The Energy Authority (TEA) back in April, one (1) of the recommendations was that the City do an RFP for 30 MW of solar. She informed members that she had explained to Mr. Coker that the City would soon be doing that RFP, and becoming aware of it had encouraged him to participate in that process.

Mr. Slavin cautioned members not to ask any questions of Mr. Coker, otherwise he may be disqualified from responding to the RFP.

Conwell Street Discussion

Mrs. Sharon Duca, P.E., Public Works Director/City Engineer, reviewed her memo dated July 28, 2017 regarding Conwell Street Evaluation. She explained that the Department of Public Works was charged with evaluating Conwell Street in conjunction with researching the development history, current status, and upgrade options.

Mr. Sudler asked if there would be another option that would be less complex and timing consuming, such as a paved alley, or something another level down from a street with walkways and curb appeal, and drainage. Responding, Mrs. Duca explained that if Council wanted to pursue the enhancements of this road, technically deeming it an alley and making the appropriate authentication in that manner would create the smaller pavement because it would not require the concrete addition. She stated that it would also give more room within the right-of-way for more natural swales, etc. to handle the drainage, noting that the concrete sections on a regular road would make it very difficult and definitely require storm sewer.

In response to Mr. Hare, Mrs. Duca stated that there were a couple of houses on the front of the street. Mr. Hare noted that this was not a City street. He asked if the residents wanted to bring it into the City and for the City to take it over. Responding, Mrs. Duca stated that this was her understanding.

Mr. Hare asked if this would be any different than, for example, if the contractor for Nottingham Meadows was building houses, did not want to finish the street, and wanted the City to take it over and finish it. He asked if the City would do that. In response, Mrs. Duca advised that Conwell Street would be more similar to Cannon Mill, explaining that the City did have to deal with the roads in that development because the developer went bankrupt. Mr. Hare asked if there was a developer for Conwell Street and Mrs. Duca advised that there was not. Mr. Hare asked who owns the land. Responding, Mrs. Duca stated that it could be considered no man's land at this point, explaining that it was never transferred to the City; therefore, it would be more likely to still be in Kent County. She explained that technically the land owner would be the original developer of the College Road Settlement from 1899 because they never deeded it over to any municipal entity. Mr. Hare asked how staff was going to determine who owns the land. In response, Mrs. Duca, referring to page 2 of her memo dated July 28, 2017 regarding Conwell Street Evaluation, noted that other sections of roads that wound up being vacated went through the Superior Court.

Responding to Mr. Slavin, Mrs. Duca stated that it would be difficult to trace the underlying owner of the road at this point, which, she believed, was the reason it became a matter of the courts. Mr. Slavin asked if the City had any history regarding who originally paved the road or who paid to have it paved originally. In response, Mrs. Duca advised that information regarding the original paving was not part of any of the research or the plans that staff could find. Responding to Mr. Slavin, Mrs. Duca informed members that Conwell Street was not a publicly identified road in terms of Municipal Street Aid (MSA); however, it was in regard to Google and that type of thing. Mr. Slavin stated his understanding that if the road was not owned by the City, then it would be a State road. In response, Mrs. Duca indicated that it would be a State or County road. Mr. Slavin stated that typically in a development, a developer will build out a development, build out the roads, and then dedicate them over to the City when they are up to the City's standards, so that the City does not inherit those costs. He noted, however, that in the case where the developer went bankrupt

and left the roads sub-standard, the City was forced to take action out of public safety. Responding, Mrs. Duca stated that those subdivisions were legitimately within City of Dover limits.

Mr. Neil stated that he thought that this matter was very perplexing and he did not think that it would get a high priority over existing problems. He advised that his suggestion would be for the City to send all of the people who signed the petition a letter basically stating that this is not City land. Mr. Neil noted that there are many issues dealing with the ownership and the deeding to the City, and that while the City will look at the process to see what the City can do, he did not think the individuals should expect it to be done quickly because they signed a petition. He explained that the City should be gentle, but should educate the people who have asked for help that this is not an easy question to answer and is not simply moving them up in a priority. Mr. Neil indicated that a significant amount of work would be going on before getting to the point of moving this matter up in priority, and he stated that he did not know how fast the City should be getting to that point.

Mr. Hare, referring to the map entitled "Conwell Street Exhibit," noted that the houses on State College Road were labeled "property not annexed into the City," and asked if these properties were not in the City. Responding, Mrs. Duca stated that he was correct. Mr. Hare stated that he did not understand why individuals who live in the County would request the City to pave the roads for them.

Mr. Sudler stated that he thought that the owners felt that because it said Conwell Street, it was a City road, and the main objective was to assess whether or not it is a City or County road, which had been done. He thanked Mrs. Duca, noting that she had done a great job. Mr. Sudler stated that there were a few homes on Conwell Street, but that he wanted to hear from Ms. Ryder, a resident of Conwell Street who he believed could speak regarding some of the challenges and difficulties.

Mr. Sudler asked if Mr. Hare or anyone else had been on Conwell Street to look at it, or had rode their vehicle down it and seen the stumps. Responding, Mr. Hare stated that he had. Mayor Christiansen stated that he had also been out there and had seen the condition of the street. He advised members that approximately 20 years ago the City went through this same process and it was determined that the street was difficult to bring to City standards because it was mostly in the County. Mayor Christiansen noted that, while he has empathy for the people who live there, there are streets in the City that are really under duress as well. He stated that he did not know if a private individual or a consortium of people could get together and have the street paved as they do in other communities.

Mr. Cole thanked Mrs. Duca for the research and the work that she did regarding this matter.

Ms. Sandra Ryder, 291 College Road, informed members that her property abuts Conwell Street and she was under the assumption that because it was named, it was a road. She stated that the road had never been paved and explained that, with the problems with the road, people tear their cars up driving on the street. Ms. Ryder noted that she would accept an alley, a few stones, or anything; however, after listening to the discussion, she understood that it was a problem. She asked how much it would be if everyone in the community got together and decided to pave it themselves and what that would run up against. Responding, Mr. Cole advised Ms. Ryder that it was not a City road. Ms. Ryder stated that she still felt that while they are paying taxes something should be done.

Mr. Hare stated that Ms. Ryder might have to check with the County to make sure they do not have a problem with it, noting that the City would not be giving the permits or anything.

Ms. Ryder stated her understanding that members were basically saying that it is too big a problem to be addressed at the moment because there are too many legalities. Responding, Mr. Cole explained that he did not think that members were saying it was too big of a problem, but that there were legalities and the control of the right-of-way and the road.

In response to Mr. Hare's question regarding who owns the property, Ms. Ryder stated that she owns the property from the front to 100 feet in the back; however, she noted that she did not have any idea who owned the street. She explained that she thought that the City or the County owned the street and, since it was named, she thought it had to be a street.

Mr. Sudler asked if it was standard procedure for the City to put a street sign name on streets that it does not own. Responding, Mr. Slavin explained that if there was a street sign on Conwell Street, the City does not know the origin of the street sign and, if the City did inadvertently place the street sign, it does not transfer legal ownership of the street to the City. He indicated that he thought that the underlying question was if someone could do the deed research to figure out who the underlying owner of the street is, noting that if it is a County street, the City could go to the County and ask them to improve it, and if it is a City street, the City would have responsibilities.

Mr. Neil stated that he did not know how much Ms. Ryder pays, but that he pays more in County taxes than he does in City taxes, so he thought that the County should take this one over.

Mr. Anderson, referring to the map entitled "Conwell Street Exhibit," asked if he was correct in his understanding that half of the properties surrounding Conwell Street were in the City, half were not, and the City did not know the ownership of the street. Responding, Mr. Cole stated that this was correct. Mr. Anderson asked if it would be appropriate to make a motion for the City to do the research to find out who owns it.

Mrs. Duca clarified that the City had done the plan and deed research. She informed members that deeds are not developed for street right-of-ways; however, there is the original plot plan for the development. She reiterated that the best example would be similar to a defunct subdivision where the owner has gone bankrupt. Mrs. Duca advised members that this matter would involve some movement of the County or the City to take the street over because the ownership of it basically left with the original developer.

Mr. Cole stated, for clarification, that the City is not looking to take this street over, and asked if going through the County would be residents' best avenue to find out what they need to do if they wanted to take it upon themselves to pave it. Responding, Mrs. Duca stated that the County and the Delaware Department of Transportation (DelDOT) would be the next steps.

Mr. Sudler asked, as a point of clarity, if Mrs. Duca was saying that the City did not want to take the street over, explaining that he thought that she was saying that if the City were to do it, these would be the steps that the City would have to take. In response, Mrs. Duca stated that she was not saying

that the City did not want to do it, she was just trying to clarify that there are no actual deeds for the right-of-way.

Mr. Anderson moved to recommend referring the matter to staff to find more information on the ownership of the street, seconded by Mr. Sudler.

Mr. Hare noted that this was not City property and the people who live around it are not in the City. He indicated that he was at a loss as to why the City would proceed, explaining that he could find a lot of properties that are outside of the City that the City could also research and possibly work on. Mr. Hare asked if the people who live around the property wanted to be annexed into the City and pay City taxes, etc., if the City proceeds. He stated that he felt that the County should be doing something, not the City, since it is not City property.

Mr. Sudler stated that he thought the motion was just a point on information so that members would be able to make an educated decision, explaining that it was his understanding that the City did not currently know who owns the property. He noted that although it appeared that the City does not own the property or have any responsibility, he thought that out of a genuine consideration for their Dover constituent, members could at least find out who owns it and possibly even send a letter, or partner with the constituent to send a letter, to the County or State asking for financial assistance or for them to make the proper repairs to bring the street up to code. Mr. Sudler stated that this was the same street that a lady was recently killed on, noting that it is dark and a safety issue. He expressed his opinion that this matter was beyond just dollars and was about public safety in the community and for the constituents of Dover.

Mr. Slavin indicated that he thought that staff had done due diligence in collecting the information and that, based on that research, a legal opinion was now needed to advise members regarding ownership and what the City's legal options are in regard to this matter. He stated that he thought that it was time to escalate this matter and send it to legal counsel for an opinion.

Mr. Anderson, referring to his motion to recommend referring the matter to staff to find more information on the ownership of the street, advised members that he meant staff in the broadest sense and most appropriate level, which would include the City's legal counsel. He indicated that referring it to legal counsel may be the next step; however, he would leave that decision to staff's professional discretion.

Mr. Neil asked that a fiscal note be provided regarding what it will cost to do this research, explaining that he thought members owed it to the taxpayers to find out. Responding, Mrs. Donna Mitchell, Acting City Manager, stated that she would have to find out how long it would take to do the research to be able to explain how much it would cost. Mr. Neil stated his understanding that it would not only take normal staff time, but professional time to complete this research. In response, Mrs. Mitchell stated that Mr. Neil was correct and that staff would have to talk to Deputy City Solicitor William Pepper to determine whether he would have to have staff research it as well. She explained that City staff had done some research but might need his help.

Mr. Cole asked Mr. Anderson and Mr. Sudler if they would be amenable to withdrawing the motion to recommend referring the matter to staff to find more information on the ownership of the street,

and instead ask for a legal opinion to be provided at the next Utility Committee meeting. Responding, Mr. Sudler stated that he would be willing to rescind his second to the motion because he was in agreement with getting a legal opinion, as recommended by Mr. Cole. Mr. Anderson stated that he did not really think that the motion was being changed; however, if members wanted to change the wording, he was okay with it because the result of the motions would be the same.

The motion to recommend referring the matter to staff to find more information on the ownership of the street was withdrawn.

Mr. Anderson moved to recommend that a legal opinion regarding the ownership of Conwell Street and the City's legal options in regard to this matter be provided at the next Utility Committee meeting. The motion was seconded by Mr. Sudler and carried by a roll call vote of six (6) yes (Mr. Anderson, Mr. Sudler, Ms. Arndt, Mr. Cole, Mr. Polce, and Mr. Slavin), two (2) no (Mr. Neil and Mr. Hare), and two (2) absent (Mr. Lewis and Mr. Lindell).

Annual Review and Approval of Governing Policy For Energy Commodity Risk Management

Mrs. Donna Mitchell, Acting City Manager, reviewed the proposed amendments to the Governing Policy for Energy Commodity Risk Management. Referring to page 8, she advised that the proposed amendments would provide the Utility Director and Controller with oversight rather than responsibility, which would provide everyone an equal say to agree on what changes are made and what transactions are entered into. In reference to the proposed amendments regarding delegation of authority on page 13, Mrs. Mitchell noted that the proposed change would not allow the Executive Risk Management Committee (ERMC) to delegate its approval authority limits to individuals authorized to commit Dover to financial obligations, because they did not want non-Dover people committing the City. Referring to Appendix C on pages 26-27, she advised members that the Business Risks Topology table on page 26 was meant to be struck through because it is proposed to be removed and replaced with the table on page 27. Mrs. Mitchell explained that the proposed change to the table related to the regulatory risk, where it was proposed to put the initials for the regulatory agencies rather than the description.

Staff recommended approval of the proposed amendments.

Mr. Anderson moved to recommend approval of the proposed amendments to the Governing Policy for Energy Commodity Risk Management (Attachment #1), including the new table, as recommended by staff. The motion was seconded by Mr. Neil and unanimously carried.

Review of Customer Service Department Shut-Off Procedures (2017 Budget Review - Hare)

Mr. Kirby Hudson, Assistant City Manager, encouraged members to review the City Manager's Monthly Report for June 2017, which was accepted by City Council during their Regular Meeting of August 14, 2017, explaining that it included charts depicting the milestones and accomplishments of the Customer Service Department that he thought members would be pretty happy about. He advised members that, through the utilization of existing policies, the Customer Service Department had been able to reduce the average overall number of daily disconnects from a high of 112 to a low of 50 disconnects per day, noting that people are now starting to pay their bills on time. Mr. Hudson

stated that, as part of their research, staff contacted all of the utility companies operating in Delaware and found that the 21-day due date for people to pay their bill was pretty much an industry standard.

Mr. Hudson reviewed the Customer Service Department procedure for service disconnection due to non-payment. He explained that everyone gets 21 days to pay their bill and then it takes approximately five (5) days, after the 21st day, before the City disconnects for non-payment. Mr. Hudson noted that this is also around the same time that the second bill is getting generated, so although the individual or family is not two (2) months in arrears, the second bill is getting ready to be sent out, so in a technical sense you could almost say that they are two (2) months behind; however, it is not a full 30 or 60 days. He noted that the billing dates can change for an individual, based on weekends and holidays; however, they still get 21 days to pay.

Mr. Hudson advised that Customer Service Department staff who maintain and oversee the disconnection list review it daily for different types of things, such as if it includes any large businesses, or individuals with medical apparatus. He stated that the City does not want to disconnect large businesses, such as Playtex or Edgewell, who tend to pay their bills late, noting that their billing departments may be located out of State, so by the time the check arrives, it could be late. Mr. Hudson informed members that when staff notices these types of things on the list, they will make phone calls.

Mr. Hudson stated that the list includes codes which indicate if an individual has a history of bouncing checks, which is something else that staff looks for. He noted that staff really tries to do their best and has to perfect this process. Mr. Hudson advised members that staff tries to see if there are individuals on the list who are first-timers or are not usually late with their payments; however, he explained that the list is approximately 50 pages long and there are about eight (8) different screens that they have to go through for each account and staff is trying to do this expeditiously, so they may miss one occasionally. He noted that the City's current software is unable to indicate whether a person is not usually late with their payments or if they have a good record; however, the new ERP system should be able to indicate these types of things.

Mr. Hudson stated that complaints had decreased tremendously, and people were paying their bills. He indicated that, for those individuals who typically pay on time, as well as businesses, who are on the disconnection list, the City's meter technicians will place door hangers first thing in the morning to provide notice that they will be back around 1:00 p.m. or 2:00 p.m. to disconnect and that they should contact the Customer Service Department immediately. Mr. Hudson stated that the City also makes payment arrangements when individuals contact the Department prior to being disconnected. He noted that the City also has an autopay option and will accommodate the elderly, senior citizens, and other individuals who are on a fixed income or get their money at a particular time during the month, if they sign up for autopay.

Mr. Slavin noted that the implementation of this disconnection policy had caused some problems; however, he believed they had leveled out. He thanked the Customer Service Department team, noting that he goes in Weyandt Hall from time to time to either pay a bill or just poke his head in and see what's going on, and had only observed professional, courteous, helpful service. Mr. Slavin stated that he thought that the Customer Service team was one of the leaders in city government

when it comes to service because they certainly face some difficult situations and they do it with poise and integrity, which he appreciates.

Mr. Slavin reminded members that Council originally made this change because the City was carrying approximately \$1M in back utility bills. He noted that electricity is different than phone or cable television service, for which you are billed in advance of the next 30 days you are about to use, because electricity is billed for the 30 days that you already used. Mr. Slavin explained that the City originally began at 30 days and then changed to 60 days which pushed the disconnection out to between 75 and 90 days, and it became onerous to chase down. He stated that the City was spending more money chasing down collections, so it was decided to change the process.

Mr. Slavin indicated that, in implementing the new process, one (1) of the goals was to drive people to automatic payment. He asked if there had been an increase in the number of accounts using automatic payment since the implementation of the new process. Responding, Mr. Hudson, referring to page 3 of the City Manager's Monthly Report for June 2017, stated that the City had more people signing up for bank draft every month except June and July. He advised that he did not know why the numbers were down in June and July. Mr. Sudler noted that the numbers may have been down in June and July due to the fact that a lot of people were on vacation. Responding, Mr. Hudson stated that it would be interesting to see how the trend moves forward into the next set of holidays at the end of the year.

In response to Mr. Hare, Ms. Patricia Marney, Customer Service Director, advised that the City currently had approximately 20,000 residential accounts, 50 disconnections per day, 1,500 disconnections per month, and 18,000 per year. She stated that the City had approximately 24,000 total customers that are billed for electricity each month.

Mr. Slavin stated that he thought that some of things that Council wanted to achieve had been achieved. As an example, he shared that he had received a call from the Customer Service Department regarding a constituent in his area who was on the disconnect list and staff noticed that it was an anomaly. Mr. Slavin explained that it took a series of phone calls, emails, and Facebook messages to find out where the individual was; however, it ended up that the customer was simply confused because they had two (2) different accounts and were paying the bills to the wrong account number. Mr. Slavin stated that he appreciated that the City did not just disconnect the customer indiscriminately and everyone worked that issue until it was resolved.

Mr. Hudson reminded members that staff was working on getting a new ERP system for the City and he was delighted that the new system would offer automated calling, texting, and emailing. He stated that with this new system, as long as the City has phone numbers and email addresses for each customer, it would be virtually impossible for a customer to say that they did not know their bill was due.

Mr. Sudler moved for adjournment of the Utility Committee meeting. The motion was seconded by Mr. Neil and unanimously carried.

Meeting adjourned at 6:52 p.m.

LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

The Legislative, Finance, and Administration Committee met with Chairman Hare presiding.

AGENDA ADDITIONS/DELETIONS

Mr. Neil moved for approval of the agenda, seconded by Mr. Anderson and unanimously carried.

Evaluation of Proposals - Banking and Merchant Services

Ms. Lori Peddicord, Acting Controller/Treasurer, advised that the City had solicited proposals for banking and merchant services, and received three (3) proposals. She stated that the proposals were evaluated and scored on several factors, including quality, reputation, location of branches, ability to meet the City's Cash Management requirements, completeness of the proposal, record of performance, technology, future enhancements, government banking experience and the qualifications of the team assigned to the City of Dover. Ms. Peddicord informed members that the Request for Proposals (RFP) required each bank to submit their current audited financial statement including footnotes and the auditor's opinion, as well as their current Securities and Exchange Commission Form 10K or Form 10Q. She indicated that the submission and review of these statements are imperative to the City of Dover's due diligence to ensure the security of the City's assets. Ms. Peddicord noted that the RFP also requested a copy of each bank's 'SAS' 70, which is prepared by independent auditors and attests to the banks internal controls in regards to their online banking tools which will be utilized by the City of Dover. She explained that this last piece of due diligence ensures the City of Dover's funds are safeguarded while being transferred using the banks online software.

Ms. Peddicord advised that the estimated combined cost for the services for banking and merchant services, not to include either a earnings credit rating or an interest on balances, were \$270,798 for PNC; \$302,706 for Wells Fargo; and \$249,625 for WSFS. She stated that the City currently had business relations with the recommended bank and merchant provider. Ms. Peddicord informed members that staff was looking to contract the banking services for a five-year contract period; however the contract term for the merchant services would be on an annual basis. She stated that the annual contract term for merchant services was due to the new ERP system the City would be bringing in and other changes that would be occurring. Ms. Peddicord noted that the contract terms had already been discussed with the proposers, and all of the vendors were in agreement that it would be okay.

Staff recommended awarding the City's banking services to WSFS Bank and merchant services contract to TSYS.

Mr. Neil moved to recommend awarding the City's banking services to WSFS Bank and merchant services contract to TSYS, as recommended by staff. The motion was seconded by Mr. Shevock and unanimously carried.

Accessibility Evaluation Report

Mrs. Donna Mitchell, Acting City Manager, advised members that an Accessibility Evaluation was conducted by Wilson James Associates, Inc. this past April, explaining that the purpose of the

evaluation was to identify all elements and spaces that are required to be in compliance with the Americans with Disabilities Act (ADA) and building code standards. She noted that many areas were found to be in compliance and the report only included those items requiring remedial action. Mrs. Mitchell referred to the summary of the major points of the Accessibility Evaluation Report, noting that staff planned to make as many of the improvements as possible within the budget this fiscal year, including the on-street parking signage, the existing doorknobs, and those types of small items. She stated that what could not be done in this fiscal year within the budget, would be programmed into next fiscal year's budget, which would most likely include the toilet rooms off the hallway that need major renovation and the drinking fountain.

Staff recommended making minor improvements in the current year and budgeting for major improvements in FY19.

Mr. Neil moved to recommend making minor improvements in the current year and budgeting for major improvements in FY19, as recommended by staff. The motion was seconded by Mr. Shevock and unanimously carried.

Proposed Ordinance #2017-12 Amending Appendix B - Zoning, Article 5 - Supplementary Regulations, and Article 6 - Off-Street Parking, Driveways and Loading Facilities (Sponsors: Hare and Slavin)

Mr. David Hugg, Acting Director of Planning and Community Development, reviewed Proposed Ordinance #2017-12, which would update sections of Articles 5 and 6 of the Zoning Ordinance in order to enhance the flexibility of the Code in several areas, including dumpster, screening and buffer, tree planting, and curbing requirements, as well as add requirements for recycling to Article 5, Section 6 and rewrite Article 5, Section 18 to allow the City to require multi-use path instead of frontage sidewalk under specific circumstances. He informed members that this was the first of a series of zoning and other Code amendments that would be brought forward as a result of recent staff meetings with the development community. Mr. Hugg noted that they had been reviewing the ordinance to find places where it was not clear and make the language easier to follow, address some of the complaints from the development community, and remove language that is no longer relevant. He stated that this is an ongoing initiative and staff would be bringing forward two (2) additional ordinance amendments next month, one (1) regarding adult daycare, and the other dealing with issues with the manufactured home ordinance, which he and Mr. Neil have been working on. In addition, Mr. Hugg advised members that he was working with Mr. Polce on an accelerated site plan review process or rocket docket, noting that he was unsure whether it would be coming forward for consideration in the form of a policy document, a Code change, or both.

Staff recommended adoption of Proposed Ordinance #2017-12.

Mr. Slavin thanked Mr. Hugg and his staff for developing Proposed Ordinance #2017-12. He advised members that this series of ordinances would be part of the new philosophy of find it, fix it, explaining that as things are found that simply do not pass the common sense test, they are being fixed.

Mr. Hare stated that he thought there would also be a proposed ordinance coming forward in regard to reducing the number of notices sent regarding a violation from five (5) to three (3). In response,

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Mr. Hugg stated that staff would be changing policy and proposing Code amendments in regard to the way the City does code enforcement, as well as the vacant building ordinance to eliminate things that are not effective in terms of regulating vacant buildings. He noted that the process needs to be accelerated for people who are not willing to take care of their properties.

Mr. Neil moved to recommend adoption of Proposed Ordinance #2017-12, as recommended by staff. The motion was seconded by Mr. Sudler and unanimously carried.

Proposed Amendment to Committees, Commissions, and Boards Appointment Process

Mr. Slavin proposed that, in deference to the fact that this item was originally introduced at Mr. Lewis' request and he was unable to attend the meeting and Mr. Polce and Mr. Lindell had worked on a compromise, the Committee allow Mr. Polce to explain the compromise and it be forwarded to Council without a recommendation. He explained that by proceeding in this way, when Mr. Lewis and Mr. Lindell return, Council will have the discussion from the Committee to consider and no time will be lost.

Mr. Polce indicated that, as a result of the conversation during the Regular Council meeting of July 24, 2017 regarding 2017/18 Annual Appointments Recommended by Mayor Christiansen (deferred during the Annual Meeting of May 8, 2017)(Downtown Dover Partnership Board of Directors and Silver Lake Commission), Mr. Lindell and Mr. Lewis discussed that the right path forward would probably be looking at the application process and determining if a curriculum vitae (CV) or resume is required. Mr. Polce noted that based on the fact that an individual was previously serving, that information and documentation on record would be sufficient; however, if it is a new applicant, the individual would then have to comply with the elongated application that was previously approved. He stated that he thought both Mr. Lewis and Mr. Lindell were in agreement with this; however, he noted that neither was present.

Mr. Polce moved to send this matter to Council with no recommendation, seconded by Mr. Neil.

Mr. Anderson noted that he thought that there was always room to look for improvement. He stated that he believed that there should be a period of time when the applications are signed off on, explaining that they should be checked for new information. Mr. Anderson explained that if members do not regularly check to see if something has changed, there could be conflicts of interest that have arisen and not been asked about, and someone may not have thought to inform the City about them. He noted that just because someone has served on a committee for 10 years does not mean that things have not changed. Mr. Anderson stated that he did not think that the applications needed to be reviewed every year and that it should be simple, explaining that if someone has an application on file, they should be able to review it and, if nothing has changed, sign it and say it's good. He indicated that he did not think a big process was needed but that the applications should be checked.

Mr. Sudler stated that, as a suggestion for the future, when members do ordinances or want to make changes, that there is some statistical data stating that something is not working rather than a few people saying it is not working. He stated that he thought it would behoove members to have some tangible data to support changes of ordinances in the future.

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Mayor Christiansen commended the gentlemen for coming up with a compromise. He explained that it was very frustrating to find people who are interested in serving on committees, as many of the chairmen and the Council President were aware, and a number of people who had served the City for a great length of time had refused to go through the application process because they believe that their service to the City had been a proven fact. Mayor Christiansen advised members that for many of the appointees whom he has reappointed or intends to reappoint to the Planning Commission, Board of Adjustment and other bodies, he had attended meetings to see if they are performing to the expectations of himself, Council and, particularly, the citizens they all serve. He stated that he agreed with Mr. Anderson that members need to always be aware of conflicts of interest; however, he indicated that he thought that the application process was an insult to people who have served with exemplary service. He stated that he appreciated the compromise and concurred with the fact that any new applicant who has not previously served on any committees should fill out an application for the perusal, advice, and consent of Council.

Mr. Hare informed members that he would not be at the Regular Council meeting scheduled for August 28, 2017. He stated that he thought that any new applicant should fill out an application, and that anyone who was being considered for reappointment, such as Dr. Stewart or Mr. Shevock, should be asked if anything has changed and if they say no, then they are good. Mr. Hare noted that most of the appointees are professionals and they know if something comes up that is a conflict, they will abstain, just like Council members do. He explained that he did not think that individuals would know if there is going to be a conflict when it is time for their reappointment, and that simply having them sign off on an application to say nothing had changed would be okay.

Mr. Sudler indicated that he thought, in the best interest of the City, that the application needed to be on file. He stated that he appreciated the longevity of individuals serving, noting that he had longevity of service in many capacities; however, he noted that they are human and sometimes they forget. Mr. Sudler indicated that he thought that this was about protecting the City and that members cannot leave loopholes which would allow the City to be sued. He explained that, for the best interest of the City of Dover and the 38,000 that members serve, he thought it would behoove them to have something in writing. Mr. Sudler noted that he did not think that a simple five (5) to 10 minute update would be unbearable or cause excruciating pain to where individuals could not spend that time and look at it as a precautionary measure to make sure that the City is safe and free from any lawsuits.

Mr. Anderson stated that he agreed with Mr. Sudler. He noted that when he had reviewed some of the proposed appointments, there was not even an old application and he had a problem with the idea of only new applicants completing the application. Mr. Anderson explained that he thought that all applicants should have at least one of the new applications on file, so that members can see the information which they are seeking today, not the information from 15 years ago. He stated that no one on Council really has a complete view of the qualifications of the people they are voting to appoint, which was the reason why Council voted to put that system in, in the first place. Mr. Anderson stated that he thought that it was the correct decision then and it is the correct decision now.

Mr. Hare stated that he agreed that everyone should have an application on file. He noted, however, that a reappointee, such as Mr. Shevock, should be asked if the information on his application has

COUNCIL COMMITTEE OF THE WHOLE MEETING OF AUGUST 15, 2017 PAGE 13

changed and, if it nothing has changed, that should be okay. Mr. Hare stated that he did not think that members needed to make it a drawn out process.

The motion to send this matter to Council with no recommendation was unanimously carried.

Mr. Neil moved for adjournment of the Legislative, Finance, and Administration Committee meeting. The motion was seconded by Mr. Shevock and unanimously carried.

Meeting adjourned at 7:13 p.m.

Mr. Sudler moved for adjournment of the Council Committee of the Whole meeting. The motion was seconded by Mr. Polce and unanimously carried.

Meeting adjourned at 7:13 p.m.

Timothy A. Slavin
Council President

TAS/TM/dd/js

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Attachments

Attachment #1 - Proposed Amendments to the Governing Policy for Energy Commodity Risk Management

City of Dover, Delaware

Governing Policy

For

Energy Commodity Risk Management

Effective: August ~~24~~28, 201~~5~~7

Approved by: City of Dover Council

Date: ~~August 10, 2015~~August 15, 2017
(Last Revision ~~June 19, 2014~~ August 10, 2015)

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PURPOSE OF THE RISK MANAGEMENT POLICY

A. Introduction

The City of Dover (“City”) and its customers are routinely exposed to energy price risk, volume variability risk, basis risk and credit risk – herein referred to collectively as energy commodity risk - in the normal conduct of serving its electric load requirements. Volatility of energy commodity prices and volumetric uncertainty (either supply/generation or load obligations) impose a substantial and direct risk to the City’s financial and operating performance.

By authority of its charter, the City has responsibility for overseeing the City’s electricity operations, including the management of its cost of serving Dover’s customers. By agreement dated May 6, 2011 and approved by the City (the “EMA”), the City has engaged The Energy Authority, Inc. (“TEA”) to assist the City with Asset Management and Strategic Planning Services, Risk Management Services, and Energy Management Services.

This Policy for Energy Commodity Risk Management (“Policy”) is established the explicit understanding that the City has retained and delegated responsibilities to TEA to provide Risk Management Services.

Additionally, the City has issued this Policy for dealing with the philosophy, framework and delegation of responsibilities necessary to govern activities related to Dover’s energy commodity risk management. As set forth herein, the City has established an organizational structure, delegated responsibility and established internal controls and procedures to ensure that all transactional and oversight activities are conducted in compliance with this Policy and in accordance with the City’s normal reporting, legal, financing and regulatory requirements relating to energy assets and transactions.

B. Scope of Policy

This Policy covers all transactions entered into the by the City of Dover designed to meet the City’s electric load requirement and the management of risk related to these transactions.

In the event of conflict between this Policy and the EMA, the Policy shall control. This Policy is separate and distinct from enterprise risk management policies and procedures addressing the City’s safe operation of its generating stations and energy infrastructure, insurance requirements, permit compliance, employee matters regulatory compliance with laws and regulations of the State of Delaware and Federal

Agencies such as EPA, FERC, NERC and CFTC or other potential risks to the City beyond the purchase and sale of fuel and electric power and its ancillary products.

C. Objectives and Risk Philosophy

The objectives of the Policy are to identify energy commodity price and credit risk exposures and give the City a framework for the quantification and management of these exposures. The Policy will identify the reports needed to convey how the identified risk exposures can potentially impact the City's overall cost of providing electricity service to its customers and report on the risk management of the transactions associated with City's electric load requirements.

Under the Policy, risk management activities will be conducted consistent with the City's overall objective of appropriate risk mitigation. There are several objectives of the Policy which, when taken and executed together, serve to manage the City's energy commodity price exposures. Specifically, the Policy:

- Establishes framework for developing credit limits for counterparties and quantifies and manages the credit exposures related to potential counterparty abrogation
- Quantifies the impact of the above exposures on City's financial results
- Manages the impact of the above exposures in line with the City's identified level of risk tolerance
- Provides clear delineation of responsibilities and authority, outline a separation of duties, and ensure reporting of risk is timely and accurate.
- Ensures that the impact of any action affecting the City's position is consistently quantified, monitored and authorized.

The City's risk management activities will be conducted consistent with its overall objective of appropriate risk mitigation and never for purposes of speculation.

D. Policy Administration

This Policy has been approved by the Executive Risk Management Committee and The Utility Committee of the Dover City Council. The Utility Committee must approve modifications to the Policy with the exception of the appendix information which can be modified with the approval of the Executive Risk Management Committee.

MANAGEMENT AND CONTROLS

This Policy articulates the management and organization of the City and TEA to serve as a control framework outlining delegation of duties and responsibilities.

A. Utility Committee of The City Council

The Utility Committee of The City Council (The Committee) has a responsibility to provide approval of this Policy. With this approval, The Committee also assumes additional duties. They will understand the risks the City is and could be exposed to due to their energy commodity risk management activities. In this role, the Committee will have a responsibility to also understand the City's policies and procedures, internal controls and systems which are used to help manage the City's energy commodity risks.

The Committee will approve any amendments to the Policy or limits within. The Executive Risk Management Committee will update the Committee periodically regarding the Policy and its functions. It will be the Committee's responsibility to:

- Discuss guidelines and strategic policies that govern the process by which the Energy Risk Management Committee assesses and manages risks
- Review and approve the risk policy at least annually
- Approve new members of the Executive Risk Management Committee
- Acknowledge the risk inherent in transactions covered under this Policy

B. Executive Risk Management Committee

An Executive Risk Management Committee ("ERMC") has been formed to provide executive management oversight for the City's energy commodity risk management activities. The ERMC is charged with the creation, amendment and administration of this Policy, including acquiring any approvals required by the Utility Committee, and will ensure that all energy commodity risk management activities of the City are performed consistent with this Policy. The ERMC will meet at least monthly to review compliance and conduct its business as described in this Policy.

The ERMC shall be comprised of the following voting members: The City Manager, The Director of Utility, The City's Controller and TEA's Client Service Manager.

The City's ERMC will make decisions following the process outlined in this Policy. TEA's Client Services Manager may include representatives from other areas within TEA in the monthly ERMC meetings who will attend in person or by conference call as non-voting advisors. Other City employees and TEA staff may also be asked to attend

meetings from time-to-time, as the ERMCM deems necessary. The responsibilities of the ERMCM shall include:

- Establish scope and frequency for management reporting to the Utility Committee.
- No less than annually, review the City's Energy Commodity Policies and Procedures for correctness and completeness.
- Review and approve any new risk report or change to an existing risk report provided by TEA to monitor risks outlined in this Policy.
- Understand and approve any models, methodologies, and assumptions used for measuring risks such as volume risk, process risk, counterparty risk and commodity risk.
- Monitor the City's risks and ensure they are within the limits and are being managed according to what is indicated within the City's Policy and associated procedures
- Understand the City's risk management objectives and risk tolerances.
- Review and approve the risk management and trading strategy programs and associated risk. Each program should be reviewed to ensure alignment with Policy objectives and compliance with risk limits within this Policy.
- Periodically review any risk management program approved in light of recent market changes, and ensure continued compliance with its established guidelines
- Review and approve new products, markets, trading counterparties and credit limits
- Review all violations and exceptions to this Policy and report such to the Committee.
- Approve the individuals or companies that engage in the City's commodity transactions and are subject to the limits within this Policy.
- Ensure that the individuals or companies authorized to transact on behalf of the City as well as manage its risks, are appropriately trained and qualified.
- Ensure independence and segregation of duties between front, middle and back office at TEA.
- Recommend changes to this Policy to the City's Utility Committee for approval and ensure the Utility Committee understands the City's overall compliance with this Policy and associated procedures.
- The ERMCM will meet at least monthly to review risks identified and reported on by the Policy, this meeting shall be chaired by The City Manager. Minutes of each meeting of the ERMCM shall be recorded and reflect any decisions and follow-up action items to be performed. These minutes will be reviewed and approved by the members of the ERMCM in a timely manner.

Each member of the ERM C has a unique role as defined below:

1. City Manager

The City Manager is independent of all commercial functions and carries the responsibility of establishment and maintenance of risk management for the City. The City Manager will be a voting member of the ERM C and act as a chair of the ERM C. Other responsibilities include:

- Ensure this Policy is maintained.
- Oversee reviews of the City's energy commodity risks, limits, risk measurement methodologies and models, and programs and recommend changes to the ERM C.
- Ensure potential transactions and their impacts on the City's risks and limits defined within this Policy.
- Develop and monitor the implementation of the Policy, and oversee other risk management processes and procedures established by this Policy or otherwise by the ERM C.

2. Director of the Utility

The Director of the Utility has oversight ~~is responsible~~ for all trading, hedging, pricing, structuring, and market and operational risk management activities associated with the City. The Director of the Utility will be a voting member of the ERM C. Other responsibilities include:

- Review the effectiveness of transaction processing systems and procedures relating to risk measurement.
- Recommend operational risk and business risk assessment guidelines.

3. Controller

The Controller is independent of all commercial functions and carries the oversight responsibility ies associated with ~~of~~ the City's accounting practices. The Controller will be a voting member on the ERM C. Other responsibilities include:

- Perform financial accounting including accounting for hedging and derivatives activities.
- Comply with tax rules and make appropriate tax elections.
- Record realized and unrealized gains and losses.
- Reconcile general ledger, cash transactions and margin accounts.
- Implement tax-hedge accounting policies and other regulatory tax requirements.

- Develop and maintain documentation outlining standard procedures for conducting business.
- Invoice counterparties and resolve billing disputes.
- Perform daily/weekly/monthly transaction checkout with counterparties.
- Develop and maintain documentation outlining standard procedures for conducting business.

4. TEA Client Services Manager

The TEA Client Service Manager roles and responsibilities are defined exhibit B of the EMA between the City and TEA. The TEA Client Service Manager will be a voting member on the ERMC. Other responsibilities include:

- Monitor risk reports between ERMC meetings.
- Report to the Committee and the ERMC on the City's adherence to all limits and functions within this policy.
- Engage the ERMC in discussions regarding events or developments that could expose the company to potential losses.
- Recommend to the ERMC specific risk limits consistent with the City's risk management objectives, risk tolerance, and risk management policy.
- Coordinate and distribute independent market fundamental analysis.
- Provide advisory support and recommendations as specified in Article 5 of the EMA.
- Update RMC on training of TEA employees.

DISCUSSION OF RISKS

This Policy covers the management of all material energy market risks faced by the City. A comprehensive list of risks that are or could be relevant to City is shown in Appendix C of the Policy. Among the most critical of these risks are commodity risk, counterparty risk, process risk, volume risk, and budget risk. These risks are measured by the limit structure and controls outlined in the Policy.

Commodity risk represents the potential adverse impacts to the value of the City's portfolio due to changes in the market. Commodity risk encompasses volatility risk, forward price risk, basis risk, correlation risk and liquidity risk.

Counterparty risk represents the potential losses the City could incur due to delivery risk and receivable risk. Delivery risk stems from a supplier or trading counterparty that is unable or unwilling to perform on its commitments including but not limited to delivery or receipt of commodities. Receivable Risk includes the City's risk associated with a counterparty's timeliness of payment for services rendered.

Process risk represents the risks associated with process problems including, but not limited to, inaccurate data capture, untimely trade execution or settlement problems. Controls over process risks are embedded in the organizational structure of TEA through the design processes and operating procedures.

Volume Risk represents the potential for unforeseen changes from projections of excess or shortfall of capacity or energy from the actual needs. When variances are large coupled with large costs to transact and adverse moves in market prices this risk could be realized. In management of this risk, the City must be aware of the fact that unexpected variations in volume are often highly correlated with price movements.

Budget Risk represents the potential to deviate outside of tolerable bounds of the City's budget. Deviations from budget can be caused by forecast error or unforeseeable adverse changes in market prices.

Regulatory Risk arises from participation in regulated markets. With the Independent System Operator (ISO) implementation of Federal Energy Regulatory Commission (FERC) Order 741, the City faces increasing regulatory risk when participating in wholesale energy markets. The TEA Compliance department works in conjunction with the TEA Risk Control department to help the City manage regulatory risk.

Regulatory risk is managed by:

- Annual Compliance Training for all employees participating in regulated markets;
- Integration of the appropriate compliance culture within the Trading department through ongoing interaction between Compliance and Trading;
- An independent monitoring and exposure measurement on transactions that could trigger an increase in regulatory risk.

MARKETING AND TRADING PRACTICES

A. Standards of Conduct

Individuals authorized to transact for the City shall not misrepresent, conceal or withhold information regarding energy commodity trading and risk management transactions to any person responsible for the accurate recording and/or reporting of such transactions; participate in any such transaction or similar activity for the benefit of any party other than the City; or hold or be a beneficiary of any financial interest in any entity with which the employee is engaged in trading or other business activity (other than ownership of an interest in a mutual fund managed by another party). Further, no employee authorized to place or execute such transactions may engage in trading power or energy commodities derivative instruments for his or her personal account.

B. Products, Activities and Limitations

Pursuant to achieving the City's core objectives for the purpose of energy commodity risk management, the following limitations shall apply.

- Permissible instruments will be restricted to the products and instruments specified in Appendix A – Approved Products of the Policy;
 - All physical forward transactions shall be governed by the Edison Electrical Institute (EEI), North American Energy Standards Board (NAESB), or similar agreements with counterparties approved by the City.
 - The City reserves the right to enter into financial hedge transactions to effectuate Policy objectives, but does not authorize TEA to enter into financial hedge transactions on its behalf. Any such financial transactions that the City may enter into shall be governed by ISDA agreements with counterparties as approved by the City.
- The maturity for each permissible instrument will be restricted to the maturity limits specified in the risk limits section of the Policy.
- Transaction volumes for each risk management transaction will be restricted to the amounts specified in the Risk Limits section of the Policy.
- Risk management transactions will be outlined in the *City of Dover Hedge Program* which will be approved by the ERMC. Risk management transactions may include the following:
 - Hedging the forward price of purchased power for delivery to the City as needed to meet its electric load requirements.
 - Hedging the forward price of natural gas and fuels as needed to generate power to meet the City's electric load requirements.
 - Unwinding of hedges to accommodate changes in expected load requirements, or for economic reasons subject to explicit constraints set by the ERMC.

C. Contract Documentation and Confirmations

No over-the-counter transaction may be executed until an EEI, NAESB, or similar agreement has been authorized by the City, approved by the ERMC and fully executed by the parties.

Written confirmations will be required from counterparties, as defined in the Master Service Agreement between the City and counterparty, within one business day or such longer time as required by the contract in question for all risk management transactions. Contemporaneous with any commitments and prior to receipt of written confirmations, verbal commitments shall be memorialized internally as to instrument structure, quantity, relevant time horizon, price and any other relevant terms; such internal

documentation shall be time stamped and correlated to the ultimate written confirmation to or from the counterparty. Both the internal documentation as well as the written confirmation from the counterparty shall be provided to TEA's Risk Control Group immediately upon receipt for verification.

In the event that there is a material failure to provide timely documentation or confirmations, then at the City Manager's sole discretion, the offending individual's authorization may be suspended. Similarly, if the failure to provide timely documentation or confirmations is due to the failure of counterparty, then at the discretion of the City Manager, a moratorium may be imposed on transactions with that counterparty. In such cases, the City Manager shall notify the ERM of the issues leading to the suspension or moratorium shall.

Nothing herein shall inhibit the City Manager from bringing control issues to the TEA's Client Services Manager prior to a decision on materiality or the imposition of a suspension of trading privileges or counterparty moratorium.

D. Training

The ERM will ensure that all City employees and/or TEA Staff that will execute transactions on behalf of the City will have appropriate training in the markets in which the transactions occur.

E. New Product Protocol

As required to manage the City's energy commodity risk the ERM shall approve new products provided the requirements of the New Product Approval Procedure are met.

RISK LIMITS AND RISK MEASUREMENTS

A. Limits

The limit structure is designed to quantify the types of risk in City's energy commodity portfolio. The City will manage and report on its energy commodity market risk using Volume/Maturity/Value Limit, Delegation of Authority's Limit, a Cost-of-Service Volume Limit and a Hedge Loss Locational Limit.

1. Volume/Maturity/Value Limits

Transaction limits for the Individuals Authorized in Appendix E to execute transactions and the maturity limits for each permissible instrument are listed below.

~~Transactions for amounts in excess of those listed may be executed only upon approval of the ERM. This limit, maturity and value structure is not intended for use when transacting day-ahead and real time in the PJM market.~~

Volume/Maturity/Value Limits		Maximum Daily Notional Limits	
		Volume	Value (\$000)
Power (MW) Hourly Limit	Balance of the Month through 12 Months	50	20,000
	Between 13 Months and 24 Months	50	20,000
	Between 25 Months and 36 Months	25	10,000
	Between 37 Months and 48 Months	25	10,000
	Between 49 Months and 60 Months	25	10,000
Natural Gas (MMBtu) Monthly Limit	Balance of the Month through 12 Months	30,000	400
	Between 13 Months and 24 Months	30,000	400
	Between 25 Months and 36 Months	10,000	200
	Between 37 Months and 48 Months	10,000	200
	Between 49 Months and 60 Months	10,000	200
#2 Fuel Oil (Bbl) Monthly Limit	Balance of the Month through 12 Months	6,000	400
	Between 13 Months and 24 Months	6,000	400
	Between 25 Months and 36 Months	3,000	200
	Between 37 Months and 48 Months	3,000	200
	Between 49 Months and 60 Months	3,000	200

~~The amounts in the table above refer to the maximum volume of orders that can be placed in any one day the individuals authorized to conduct trades for the specified time period. On any one day the maximum transaction volume placed can be for up to 50 MegaWatts per hour for every hour during a single calendar month (including both on-peak and off-peak hours), OR 25,000 MMBtu per month for all months pertinent to the natural gas transaction, OR 6,000 Bbl per month for all months pertinent to the oil transaction.~~

2.1. Delegation Authority

The Utility Committee delegates the following approval authority limits to the Dover ERM. The ERM may not delegate these authorities to individuals authorized to commit Dover to financial obligations.

Position	Maturity Limit	Term Limit	Notional Value Limit
Dover ERM	5 years	5 years	20,000,000

~~This limit, maturity and value structure is not intended for use when transacting day-ahead and real time in the PJM market.~~

3.2. Volume Limits

For no reason should a transaction be executed that exceeds the City’s electric load requirements. If there is an adjustment to the City’s electric load requirements and the

existing transactions greater than 100% of the adjusted electric load requirements the ERMCM will review and approve the offsetting strategy deployed in sufficient proportion to mitigate the encroachment.

4.3. Locational Limits

Non-Commodity Transactions must support the requirement of one of the City's generation units, native load or transaction locations.

B. Stress Testing and Back Testing

The City's positions shall be periodically stress tested and models shall be back tested. The processes around these tests are outlined in the *Stress Testing and Back Testing Procedure*.

C. Instances of Exceeding Risk Limits

Should the City or TEA enter into a transaction that causes the portfolio to exceed any above mentioned limits the Director of the Utility shall, in addition to notifying the ERMCM, also notify the Chair of The Committee as soon as practicable and shall provide periodic reports to the Chair on the status the transactions for as long as the City is exceeding its limits. The ERMCM will review and determine whether any liquidation or offsetting of transactions is warranted. The incident will be documented as a Policy Exception by the Director of the Utility.

CREDIT POLICY

Credit Risk is the risk due to the uncertainty in a counterparty's ability to meet its contractual obligations. The primary objective of this credit policy is to mitigate, to the extent commercially reasonable, the credit risks associated with transactions covered in this Policy while still allowing the City to achieve its objectives.

A. Measuring Credit Risk

The status of credit risk will be measured and reported through reports provided by TEA.

The current credit exposure will be reported at the agreement level via a Counterparty Credit Report provided by TEA. This information will be made available in real time to TEA trading personnel so that it can be checked prior to executing transactions for the City. Those responsible for risk oversight at the City and TEA will have access to this information no less frequently than once per day. The ERMCM will monitor overall

credit utilization and any credit exceptions at least monthly. When measuring the current credit risk, netting will be applied to the exposure if the City's contract with a counterparty includes provisions for netting.

B. Analysis and Extension of Credit Limits

Physical and financial commodity transactions will be executed with counterparties approved by the ERMCM with credit available to support the transactions. The creditworthiness of a counterparty will be determined by both qualitative and quantitative factors. Factors shall include, but not limited to:

- A company's debt credit ratings provided by the rating agencies.
- Financial data such as an analysis of the income statement, balance sheet, and cash flow, as well as liquidity and capital structure.
- Subjective factors such as company's fuel diversity, overall size, risk management policy and internal controls, geographic diversity, and market intelligence.

A credit limit is the amount of unsecured credit granted to a counterparty. Unsecured credit exposure includes amounts owed by the counterparty, whether billed or not, and the mark-to-market differences in value of any collateral which the counterparty has provided the City. Any net exposure above the collateral threshold will require the posting of collateral by a counterparty. Further information on the City's procedure for establishing credit is contained in the *Counterparty & Credit Review Process*.

Collateral thresholds, term limitations and credit exposure limits will be subject to the maximums indicated in Appendix B, based upon the lower of the S&P and Moody's credit ratings.

At no time will the City incur a credit exposure with any counterparty greater than \$60,000,000.

C. Instances of Exceeding Credit Limits

The City and TEA are restricted by the credit limits approved by the ERMCM. The ERMCM can suspend trading with a counterparty, if that counterparty's credit limit has been reached or exceeded. **The City or TEA traders shall not exceed the Counterparty Credit Limit by executing transactions with any counterparty without approval of the ERMCM.**

The ERMCM will determine when it's appropriate to require additional collateral if a counterparty's credit exposure exceeds its credit limit. Collateral includes standing letter of credit, cash, and prepayments.

All credit exceptions will be documented and reported to the ERM and the Committee as Policy Exceptions.

REPORTING

A. Risk Reporting

Preparation of timely reports is critical to monitoring risk. TEA will furnish the required reports on a regular frequency for the City in a format acceptable to the ERM. In addition, the ERM and its designees will be provided access to the City's risk reports as updated daily via TEA's secure Web Portal.

Reports required on a monthly basis and for periodic meetings of the ERM include the following:

- **Profit and Loss Report**

The Profit and Loss (P&L) Report shows the daily realization of transactions at either the transaction price or the market price as transaction roll from unrealized to realized. This report should show volumes, transaction prices and market prices of realized physical and financial power and fuel transactions.

- **Mark to Market Report**

The Mark to Market ("MTM") Report conveys the potential transaction exposure, of all existing forward transactions executed, if the energy commodity portfolio was liquidated at the most recent market settlement prices. This report should show volumes, transaction prices and market prices of unrealized physical and financial power and fuel transactions.

- **Daily Activity Report**

The Activity Report presents a summary of the day's trades executed in the bilateral energy market.

- **Cost of Service Report**

The City's exposure to energy price risk shall be monitored and reported on a Cost-of-Service basis. All calculations are at the wholesale level. The Cost-of-Service recognizes all prior (expired) months within the Power Year on the basis of actual (incurred) costs, and recognizes all forward (pending) months within the Power Year on the basis of expected forward power and fuel prices and expected forward load-following risks. As defined below, the Cost-of-Service is an aggregation of Forward Energy Commodity Portfolio Cost, the Load Following Cost Expectation and the City's Budget Target for Purchase Power Expense.

- The Net Purchased Power Cost shows the net cost of all physical and financial transactions related to the City's anticipated commodity requirements for power and fuel and is based on the price of all hedge transactions plus the forward market price of all unhedged transactions valued at current forward prices for energy commodities, customer-level cost per MWH of all physical and financial transactions related to Dover's actual plus anticipated energy.
- The expected fixed costs defined as load-serving entity (LSE) capacity costs, transmission costs and TEA management fees.
- The Expected Load-Following Cost for a specified power year is defined as the expected cost (or revenue) associated with intra-month load variations due to weather or other events affecting demand. As an interim measure due to lack of necessary market information and the rapid evolution of the PJM RTO market, the ERMCM has specified \$2.50 per MWH as an estimate of the Load Following Cost to be used for estimating the City's Forward Cost-of-Service Report. The ERMCM will update the Expected Load Following estimate while lack of necessary market information persists no less than annually.
- The Budget Target for Purchase Power Expense represents the City's view of expected purchase power expense.

B. Credit Reporting

- **Counterparty Credit Report**

The Counterparty Credit Report conveys the exposure to all counterparties with which the City has credit exposure resulting from its energy commodity risk management activities.

- **CFTC Reporting**

The City understands that transacting over the counter (OTC) swaps carries an additional Commodity Futures Trading Commission (CFTC) reporting function. Once required by the CFTC, the City will report on how the City generally meets its financial obligations associated with entering into non-cleared swaps in a manner acceptable to the CFTC.

C. Hedge Effectiveness Reporting

If the City's transactions require a hedge effectiveness test, those testing results will be reported to the ERMCM no later than one month after the end of the financial reporting period. The report will include a summary of testing methodology, assumptions of the testing and the outcome of results with a pass or fail by transaction.

INFORMATION TECHNOLOGY SYSTEMS

Since information systems play a vital role in The City's trading abilities, the City shall ensure that the information systems and technology used to store all transaction information is maintained and secure. The City's transactions will be stored in TEA's enterprise trading and risk management system. TEA uses the TriplePoint Commodity XL (CXL) system, integrated with Commodity XL for Credit Risk (Credit Risk). TEA has assigned a Database Administrator (DBA) that is charged with the database security and maintenance for the transaction database, CXL.

The following safeguards for data security and backup will be installed:

- Transaction data stored in the system of record will be replicated daily to ensure data redundancy;
- The CXL database will be backed up at least daily after the close of business.

POLICY DISTRIBUTION AND COUNSEL

A. Distribution Outside The City

The City's Policy is restricted to the use of the City and TEA organizations. It shall not be distributed outside these organizations without the consent the ERMC.

B. Designated Counsel

Questions about the interpretation of any matters of this Policy should be referred to ERMC. The ERMC will provide clarification and explanation on any updates to this Policy.

All legal matters stemming from this Policy will be referred to the City's Legal Counsel.

APPENDIX A - Approved Products

The following shall constitute a list of approved products to be utilized by TEA to manage the City's energy commodity portfolio:

- Physical Power
- Physical Natural Gas ~~Delivered Dover via Eastern Shore Pipeline~~
- Physical Residual Fuel Oil (#2) ~~Delivered Dover~~
- Capacity
- Financial Power
- Financial ~~Call Options~~
- ~~Financial Put Option~~
- PJM Demand Bids and Generation Offers
- PJM InSchedules
- PJM Transmission Products
 - Financial Transmission Rights
 - Annual Auction Revenue Rights
- PJM Tier 2 Synchronized Reserves

The above instruments can be executed by TEA on behalf of the City of Dover for the current and next two successive Power Years (July to June).

APPENDIX B - Approved Counterparties and Threshold Tables

This Appendix establishes approved counterparties and their Collateral thresholds. Collateral thresholds, term limitations and credit exposure limits that are subject to the following maximums based upon the lower of the S&P and Moody's credit ratings:

Credit Thresholds from Dover Extended to the Counterparty

Constellation Energy Exelon Generation Company, LLC

Threshold	S&P	Moody's
\$ 60,000,000	AAA	Aaa
\$ 50,000,000	A- to AA+	A3 to Aa1
\$ 40,000,000	BBB+	Baa1
\$ 30,000,000	BBB	Baa2
\$ 20,000,000	BBB-	Baa3
\$ -	Below BBB-	Below Baa3

AEP Energy Partners, Inc.

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
<u>\$ 10,000,000</u>	<u>BBB- and Above</u>	<u>Baa3 and Above</u>
<u>\$ -</u>	<u>Below BBB-</u>	<u>Below Baa3</u>

BP Energy Company

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
<u>\$ 60,000,000</u>	<u>AA- to AAA</u>	<u>Aa3 to Aaa</u>
<u>\$ 45,000,000</u>	<u>A+</u>	<u>A1</u>
<u>\$ 30,000,000</u>	<u>A</u>	<u>A2</u>
<u>\$ 15,000,000</u>	<u>BBB to A-</u>	<u>Baa2 to A3</u>
<u>\$ -</u>	<u>Below BBB</u>	<u>Below Baa2</u>

Integrys Calpine Energy Services, L.P.

Threshold	S&P	Moody's
\$ 20 25,000,000	AAA	Aaa
\$ 20 15,000,000	AA- A- to AA++	Aa3 Aa3 to Aa1 Aa1
\$ 15 10,000,000	A- to A+ A- to A+	A3 to A1 A3 to A1
\$ 5,000,000	BBB+	<u>Baa1</u>
\$ <u>3,000,000</u>	<u>BBB- to BBB</u>	<u>Baa3 to Baa2</u>
\$ -	Below BBB-	<u>Below Baa3</u>

EDF Trading North America, LLC

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 18,000,000	Fixed	Fixed

PSEG Energy Resources & Trade, LLC

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 20,000,000	BBB- and Above	Baa3 and Above
\$ -	Below BBB-	Below Baa3

Sequent Energy Management, L.P.

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 5,000,000	Fixed	Fixed

Sempra Energy

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 20,000,000	A or above	A2 or above
\$ 20,000,000	A- to A+	A3
\$ 15,000,000	BBB+	Baa1
\$ 10,000,000	BBB	Baa2
\$	BBB- or lower	Baa3 or lower

Conectiv

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
Unspecified *	Above BBB+	Above Baa3
\$ -	Below BBB-	Below Baa3

* Conectiv does not have a defined credit threshold, so for planning purposes, a \$10,000,000 threshold is imposed as a conservative limit

Macquarie Cook PowerEnergy, LLC

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 25,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	Aa3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

Morgan Stanley Capital Group

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
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\$	25,000,000	AAA	Aaa
\$	20,000,000	AA- to AA+	Aa3 to Aa1
\$	15,000,000	A- to A+	A3 to A1
\$	10,000,000	BBB+	Baa1
\$	5,000,000	BBB	Baa2
\$	-	BBB- or below	Baa3 or below

FPL-NextEra Energy Marketing, LLC

Threshold	S&P	Moody's
\$ 30,000,000	AAA	Aaa
\$ 25,000,000	AA- to AA+	Aa3 to Aa1
\$ 20,000,000	A- to A+	A3 to A1
\$ 15,000,000	BBB+	Baa1
\$ 10,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

Deutsche Bank

Threshold	S&P	Moody's
\$ 25,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	Aa3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

Barclays Bank

Threshold	S&P	Moody's
\$ 25,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	Aa3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

Credit Thresholds from the Counterparty Extended to Dover

AEP Energy Partners, Inc.

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ <u>10,000,000</u>	<u>BBB- and Above</u>	<u>Baa3 and Above</u>
\$ <u>-</u>	<u>Below BBB-</u>	<u>Below Baa3</u>

BP Energy Company

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 30,000,000	AA to AAA	Aa2 to Aaa
\$ 25,000,000	AA-	Aa3
\$ 20,000,000	A+	A1
\$ 15,000,000	A	A2
\$ 5,000,000	BBB to A-	Baa2 to A3
\$ -	Below BBB-	Below Baa3

Calpine Energy Services, L.P.

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 10,000,000	AA- to AAA	Aa3 to Aaa
\$ 7,500,000	A- to A+	A3 to A1
\$ 5,000,000	BBB+	Baa1
\$ 3,000,000	BBB- to BBB	Baa3 to Baa2
\$ -	Below BBB-	Below Baa3

Exelon Generation Company, LLC

<u>Threshold</u>	<u>Fitch</u>	<u>Moody's</u>
\$ 60,000,000	AAA	Aaa
\$ 50,000,000	A- to AA+	A3 to Aa1
\$ 40,000,000	BBB+	Baa1
\$ 30,000,000	BBB	Baa2
\$ 20,000,000	BBB-	Baa3
\$ -	Below BBB-	Below Baa3

Integrus

<u>Threshold</u>	<u>Fitch</u>	<u>Moody's</u>
\$ 20,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	Aa3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ 1,000,000	BBB-	Baa3
\$ -	Below BBB-	Below Baa3

Sempra Energy

<u>Threshold</u>	<u>Fitch</u>	<u>Moody's</u>
\$ 27,000,000	A or above	A3 or above
\$ 5,000,000	BBB+	Baa1
\$ 1,000,000	BBB	Baa2
\$ -	BBB- or lower	Baa3 or lower

Conectiv

<u>Threshold</u>	<u>Fitch</u>	<u>Moody's</u>
------------------	--------------	----------------

Unspecified *	Above BBB+	Above Baa3
\$ -	Below BBB-	Below Baa3

***Conectiv does not have a defined credit threshold, so for planning purposes, a \$10,000,000 threshold is imposed as a conservative limit**

PSEG Energy Resources & Trade, LLC

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ <u>12,000,000</u> *	Fixed	Fixed

***Threshold is \$12,000,000 as long as Dover maintains a Debt Service Coverage greater than 1.25% and Total Net Assets of at least \$50,000,000 and Total Net Assets do not decline by more than 25% on a fiscal year end basis.**

Morgan Stanley Capital Group

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ <u>25,000,000</u>	<u>AAA</u>	<u>Aaa</u>
\$ <u>20,000,000</u>	<u>AA- to AA+</u>	<u>Aa3 to Aa1</u>
\$ <u>15,000,000</u>	<u>A- to A+</u>	<u>A3 to A1</u>
\$ <u>10,000,000</u>	<u>BBB+</u>	<u>Baa1</u>
\$ <u>5,000,000</u>	<u>BBB</u>	<u>Baa2</u>
\$ <u>-</u>	<u>BBB- or below</u>	<u>Baa3 or below</u>

Macquarie Cook Power Energy, LLC

<u>Threshold</u>	<u>Fitch</u>	<u>Moody's</u>
\$ 25,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	AA3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

FPL-NextEra Energy Marketing, LLC

<u>Threshold</u>	<u>Fitch</u>	<u>Moody's</u>
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\$	23,000,000	AAA	Aaa
\$	18,000,000	AA- to AA+	AA3 to Aa1
\$	13,000,000	A- to A+	A3 to A1
\$	8,000,000	BBB+	Baa1
\$	3,000,000	BBB	Baa2
\$	-	BBB- or below	Baa3 or below

EDF Trading North America, LLC

<u>Threshold</u>	<u>S&P</u>	<u>Moody's</u>
\$ 18,000,000	Fixed	Fixed

Deutsche Bank

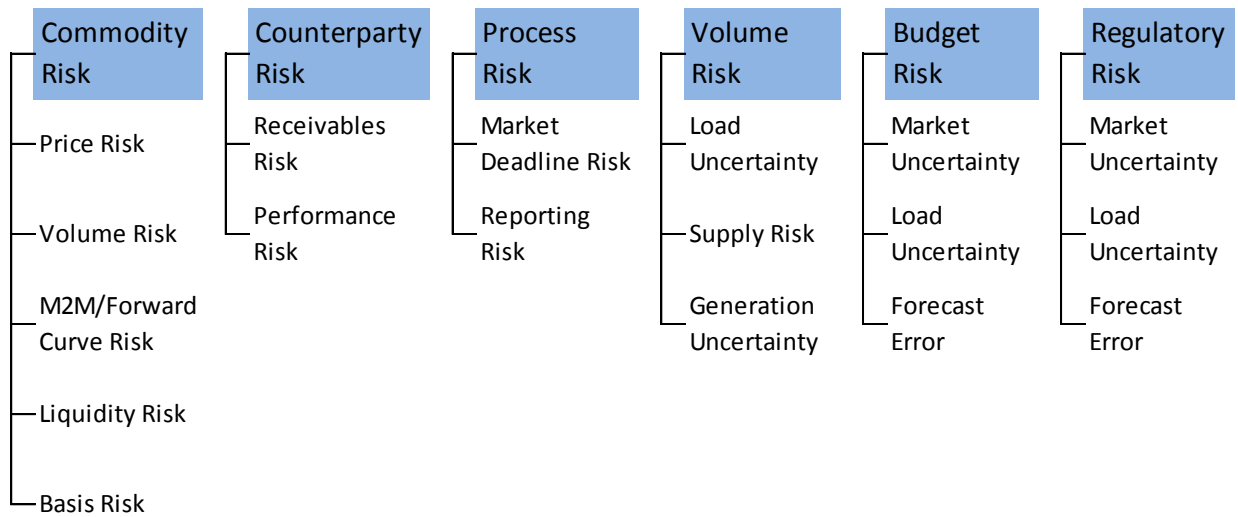
Threshold	Fitch	Moody's
\$ 25,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	AA3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

Barclays Bank

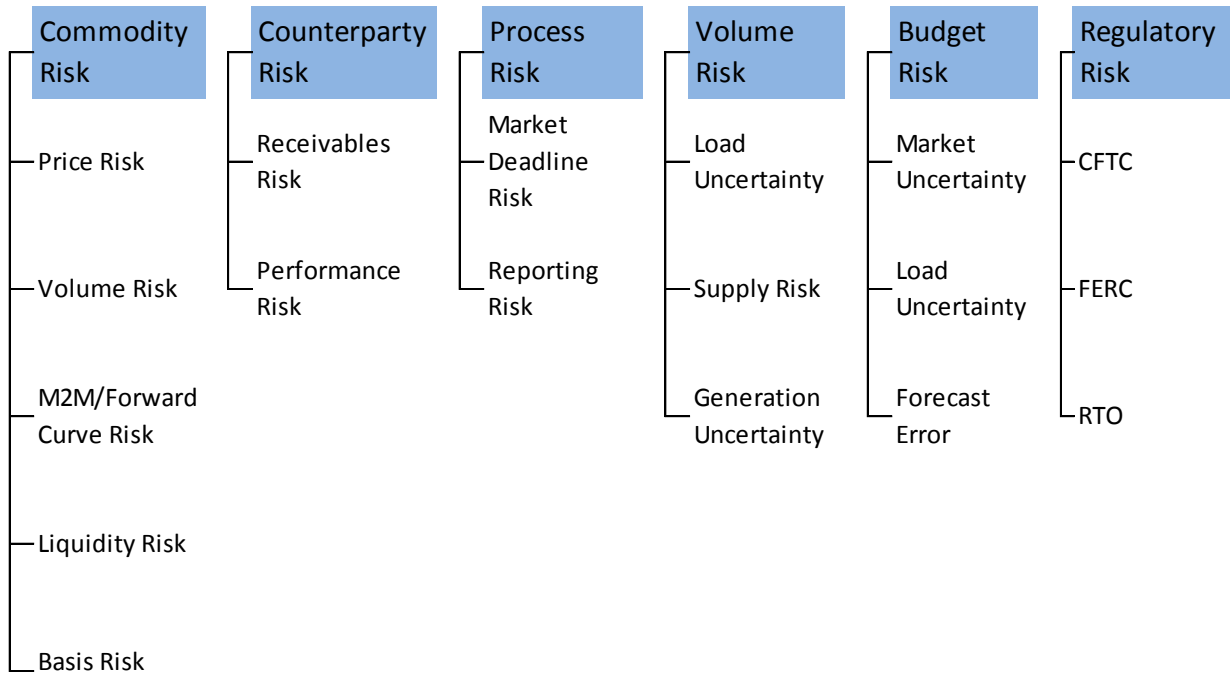
Threshold	Fitch	Moody's
\$ 25,000,000	AAA	Aaa
\$ 20,000,000	AA- to AA+	AA3 to Aa1
\$ 15,000,000	A- to A+	A3 to A1
\$ 10,000,000	BBB+	Baa1
\$ 5,000,000	BBB	Baa2
\$ -	BBB- or below	Baa3 or below

APPENDIX C - Business Risks

Business Risks Topology



Business Risks Topology



APPENDIX D - Glossary

Back Office – That part of a trading organization which handles transaction accounting, confirmations, management reporting, and working capital management.

Bilateral Transaction - Any physical or financial transaction between two counterparties, neither of whom is an Exchange or market entity (e.g. MISO).

Capacity – The real power output rating of a generator or system, typically in megawatts, measured on an instantaneous basis.

Commodity - A basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but it is essentially uniform across producers. When they are traded on an exchange, commodities must also meet specified minimum standards, also known as a basis grade.

Financial Bilateral Transaction - A Bilateral Transaction that is non-physical and is defined by a Source Point, Sink Point, and Delivery Point that may be any CP Nodes as specified by the Midwest ISO.

Financial Forward – An agreement regarding a position in a specified commodity, a specified price, and a specified future settlement date, that does not result in physical delivery of the commodity. Rather one party in the agreement makes a payment to the other party on the basis of the commodity price at the future date.

Front Office – That part of a trading organization which solicits customer business, services existing customers, executes trades and ensures the physical delivery of commodities.

Hedging Transaction - A transaction designed to reduce the exposure of a specific outstanding position or portfolio; “fully hedged” equates to complete elimination of the targeted risk and “partially hedged” implies a risk reduction of less than 100%.

Mark-to-Market Value – A measure of the current value of unrealized positions; includes both Open Positions and Closed Positions.

Middle Office – That part of a trading organization that measures and reports on market risks, develops risk management policies and monitors compliance with those policies, manages contract administration and credit, and keeps management and the Board informed on risk management issues.

Policy – Dover’s Governing Policy for Energy Commodity Risk, as amended and approved by The Utility Committee.

Portfolio – A collection of transactions.

Realized Gains/(Losses) – The amount earned (or lost) from a transaction , considered to be **realized** once the time for performance has lapsed (e.g. delivery of power in the case of physical transactions or expiration of an option in the case of financial transactions).

Term – The total duration of a contract, defined as the number of days between the beginning flow date and ending flow date, inclusive.

Unrealized Gains/ (Losses) – The amount expected to earn (lose) on a specific transaction(s); however, the time for performance has not lapsed. The total value of Unrealized Gains/ (Losses) is the Mark-to-Market value.

APPENDIX E - Swap Transaction Representative

Purpose:

To ensure that the City of Dover, a Special Entity under the Dodd-Frank Financial Reform Act, selects a qualified representative (“Representative”) to provide advice and guidance when entering into swap transactions with Swap Dealers or Major Swap Participants.

Definitions:

Special Entity: As defined in 7 U.S.C. 6s(h)(2)(C) and further interpreted in 17 C.F.R. 23.401(c). The City of Dover is a Special Entity as defined by 17 C.F.R. 23.401(c)(2).

Swap Dealer: As defined in 7 U.S.C. 1a(49) and further interpreted in 17 C.F.R. 1.3(ggg)

Major Swap Participant: As defined in 7 U.S.C. 1a(33) and further interpreted in 17 C.F.R. 1.3(hhh)

Representative: As defined in this policy and 17 C.F.R. 23.450

Policy:

Selection: The City of Dover shall endeavor to seek and employ an individual or entity that will voluntarily act as a Representative for all energy commodity swap transactions between XXXX and any Swap Dealer or Major Swap Participant. The Representative must meet the following qualifications identified in 17 C.F.R. 23.450(b):

- (i) Has sufficient knowledge to evaluate the transaction and risks;
- (ii) Is not subject to a statutory disqualification;
- (iii) Is independent of the swap dealer or major swap participant;
- (iv) Undertakes a duty to act in the best interests of the Special Entity it represents;
- (v) Makes appropriate and timely disclosures to the Special Entity;
- (vi) Evaluates, consistent with any guidelines provided by the Special Entity, fair pricing and the appropriateness of the swap; and
- (vii) In the case of a Special Entity as defined in § 23.401(c)(2) or (4), is subject to restrictions on certain political contributions imposed by the Commission, the Securities and Exchange Commission, or a self-regulatory organization subject to the jurisdiction of the Commission or the Securities and Exchange Commission; provided however, that this paragraph (b)(1)(vii) of this section shall not apply if the representative is an employee of the Special Entity.

The Representative and the City of Dover shall enter into a legal agreement that binds the Representative to comply with items (i) through (vii) in this policy.

At no longer than any 12 month interval, the City of Dover shall review the performance of the Representative to ensure compliance with items (i) through (vii) in this policy.

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APPENDIX F – Authorized Individuals

~~As described in RISK LIMITS AND RISK MEASUREMENTS, the ERMIC may delegate approval authority. Dover has delegated to TEA execution authority and with the delegations below, if there is a trade within the limit structure, TEA may execute without ERMIC approval:~~

Position	Maturity Limit	Term Limit	Notional Value Limit
TEA Trader	30 days	30 days	1,000,000