

Delaware Sustainable Energy Utility
Meeting of the Oversight Board
500 W. Loockerman Street, Suite 400, Dover, DE 19904
March 16, 2018 - 9:00 A.M.

Welcome

Richard Jones, Co-Chair, called the meeting to order at 9:10 AM. Members present were Trey Paradee, Robert Underwood (proxy for Secretary Garvin, Department of Natural Resources and Environmental Control), Pamela Bakerian (teleconference), Michael Chajes (teleconference), Joseph Schorah, and Andrew Slater. Also present were Frank Murphy, General Counsel, Anthony DePrima, Suzanne Sebastian, Kate Bayard, and Lisa Gardner.

Members Absent: Senator Harris McDowell, III Kristopher Knight, and Sean Finnigan.

1. Approval of Minutes

- a. January 19, 2018 – Oversight Board**
- b. January 22, 2018 – Loan Committee**
- c. February 23, 2018 – Loan Committee**

Mr. Paradee moved for approval of the above Oversight Board minutes of January 19, 2018, seconded by Mr. Underwood and unanimously carried.

Mr. DePrima moved for approval of the above two (2) Loan Committee minutes, seconded by Mr. Paradee and unanimously carried.

2. SEU Business

a. Consideration of Statements - Mr. Schorah motioned to approve the following statements, seconded by Mr. Paradee and unanimously carried.

- i. Drinker Biddle & Reath- December 2017 (\$9,405.45)
- ii. Murphy & Landon – December 2017 – January 2018 (\$1,230)
- iii. NW Financial Group, LLC – December 2017 – January 2018 (\$4,013.75)
- iv. Young Conaway Stargatt & Taylor – November – December 2017 (\$1,299.50)

b. Home Performance with ENERGY STAR – Budget – in November 2018, Mr. DePrima indicated that due to a large uptick in participation in the Home Performance with ENERGY STAR (HPwES) Program, incentives were reduced to help sustain program incentive budgets. This incentive change created a cliff event with contractors selling numerous jobs prior to the rebate incentive change. It was uncertain whether these jobs would all move forward and be installed within the 90-day rebate reservation window. The vast majority of this work did move forward and the rebates have been processed for payments.

The Franklin team is reviewing potential incentive structure changes to maintain a more sustainable program and keep quality contractors involved in the program moving forward which will be closely monitored. The current HPwES Program budget is \$4M.

Franklin Energy has reviewed the program data and analyzed the energy assessments and installation of rebated measures over the past two (2) years and has forecasted a \$750,000 budget shortfall through June 30, 2018, therefore staff is recommending a budget increase for said amount.

Mr. Schorah moved to approve a budget increase in the amount of \$750,000 for the Home Performance with ENERGY STAR Program to continue program activity through the end of this fiscal year. The motion was seconded by Mr. Underwood and unanimously carried.

c. Contract for Revolving Loan Program Impact Evaluation – Mr. DePrima explained that conducting an impact evaluation for the Revolving Loan Program was an important part of evaluating a program post construction. The primary goal of an impact evaluation was to develop a detailed and methodological estimate of program savings. Results would be used to compare reported savings and internal program savings projections which would then lead to mechanisms for adjusting future projections. Due to their experience in the field, Warren Engineering, one our pool energy engineering firms, was chosen to conduct this study for a budgeted amount of \$31,395.

Mr. Schorah stated the importance of choosing the best onsite inspections that would be most beneficial to the SEU. In agreement Mr. DePrima stated that this type of work is Warren Engineering's forte and has full confidence in them selecting the appropriate ones.

Mr. Paradee moved to authorize the Executive Director to enter into a contract with Warren Engineering for a budgeted amount of \$31,395, seconded by Mr. Schorah and unanimously carried.

3. Volkswagen Diesel Settlement Presentation - Ms. Valerie Gray, Planning Supervisor, for DNREC, provided a PowerPoint presentation (**Attachment #1**) regarding the details of the Volkswagen Diesel Settlement and the impact on Delaware and its residents.

Members of the Board thanked Ms. Gray for her time and for the comprehensive presentation.

4. Loan Evaluation Presentation – Mr. DePrima welcomed and introduced Ms. Tina Poole to members of the Board. Ms. Poole and Ms. Lisa Wagner, Bluestem Consulting (not in attendance) were contracted to evaluate the SEU's Commercial Lending Program. Ms. Poole provided a PowerPoint presentation (**Attachment #2**) outlining the following recommendations:

High Priority Recommendations -

- Increase staff, Board, and Loan Committee lending capacity in line with SEU's maturity and size;
- Engage in strategic, business, and capitalization planning for SEU's lending program;
- Formalize, standardize, expand and strengthen:
 - Board-approved loan policies,
 - Origination and portfolio management processes and procedures,
 - Data collection and management and reporting systems, internal controls; and
 - Structure and implement targeted, differentiated loan products and financing strategies.

Conclusions –

SEU has a strong mission, track record, and financial foundation on which to build.

To ensure long-term sustainability, allow for growth, and reach its full potential, we recommend that SEU:

- Develop and implement more complex policies; origination and portfolio management procedures; and sophisticated data collection and management and reporting systems;

- Hire additional lending staff to lead, manage, capitalize and build a growing and sustainable loan fund;
- Develop and implement strategic, business, and capitalization plans for its lending activities; and
- Not only will these actions protect SEU's assets and grow organizational capacity, they will help SEU attract new funders, investors, and partners.

5. Reports – The following reports were presented to the Board:

- a. Executive Director
- b. Program Manager
- c. Communications & Marketing Manager
- d. Budget Report – Ending February 2018

6. New Business/Old Business - None

7. Executive Session – Personnel Matters {Pursuant to 29 Del C. §10004(b)(9)}Executive Director's Compensation - SEU General Counsel, Frank Murphy, explained the reason for the executive session and the fact that it is permitted under the Freedom of Information Act, pursuant to Title 29, Section 10004(b)(9), as reflected on the agenda for today's Board meeting. A motion was made to have the Board enter into executive session to address personnel matters.

The Oversight Board meeting reconvened in open session and tabled the matter.

Meeting adjourned at 11:15AM.