

Delaware Sustainable Energy Utility
Meeting of the Oversight Board
Duncan Center – 500 W. Lookerman Street – Barrett Room.
Dover, DE 19904
November 19, 2015 – 9:00 A.M.

Welcome

Chairman Senator Harris B. McDowell, III called the meeting to order at 9:00 AM. Members present were Joseph Schorah, Pamela Bakerian, Ismat Shah, Dave Bonar (teleconference), Robert Underwood, Secretary David Small, Kristopher Knight (teleconference), Charles Wagner (teleconference), and Trey Paradee (teleconference). Also present were Tony DePrima, Suzanne Sebastian, Frank Murphy, SEU General Counsel and Lisa Gardner.

Members Absent: Sean Finnigan and Nnamdi Chukwuocha.

1. Approval of Minutes

a. Oversight Board – September 17, 2015 - Mr. Schorah moved to approve the minutes, seconded by Secretary Small and unanimously carried.

b. Loan Committee – October 22, 2015 - Mr. Knight moved to approve the minutes, seconded by Mr. DePrima and unanimously carried.

2. Presentation - EEAC – Mr. Robert Underwood provided handouts (**Attachment 1**) to members of the board and stated that as part of his job (Program Administrator with DNREC) he chairs the Energy Efficiency Advisory Council (EEAC). Legislation was passed last year to create this council in order to help Delaware move forward with utility run large scale energy efficiency programs. Council members represent the following groups: DNREC, Affected Energy Providers, Manufacturing, Commercial, Environmental, Agricultural, Low-Income, Residential and the Sustainable Energy Utility (SEU)

Mr. Underwood briefed members on the importance of energy efficiency, as well as an overview and the role of the EEAC. A detailed description was given regarding the foundation of the EEAC, review of current and future programs, and the next steps of the EEAC; which include the following:

- Annual Report
- Finalize uniformed data collections
- Receive, review, analyze and recommend program portfolios
- Promulgate EM&V regulations
- Approval and launch of energy efficiency programs
- Monitor the effectiveness of programs and conduct subsequent EM&V

Senator McDowell thanked Mr. Underwood for a well delivered presentation and stated that he is looking forward to working together in the upcoming year and ended by affirming that together we can be stronger than apart.

Mr. DePrima indicated that Mr. Schorah and Senator McDowell occupy the voting seats on behalf of the SEU. The SEU's original goal with the EEAC was to partner with the utilities to run programs and to create uniformity across the State on programs and offerings. For various reasons, it has been challenging to get Delmarva Power & Light (DPL) to partner with the SEU; however, DPL is working collectively with our marketing efforts; they have agreed to include a bill insert in their December bills to promote SEU programs. It is our desire to run and/or layer complimentary programs that will encourage participation by DPL. Mr. DePrima was pleased to report success with Chesapeake Utilities in discussions in partnering with the SEU.

Responding to Dr. Shah, Mr. Underwood clarified that the EEAC, in the beginning, was unaware of the various programs that the DESEU was running. One of the first tasks of the EEAC was to bring everyone up to speed on the functions of the DESEU and their programs. Secondly, Dr. Shah questioned the possibility of a conflict of interest when working with the various utilities to ultimately reduce their revenue source. Mr. Underwood stated that when legislation was drafted, it enabled regulated utilities to seek cost recovery for the cost of running energy efficiency programs.

Secretary Small thanked Mr. Underwood and the team for their dedicated work; he also stressed the importance of consistency of measurement and verification data, and he looks forward to a productive 2016.

3. SEU Business

a. Delaware National Guard – Loan Reservation Request – Mr. DePrima informed members that a request to reserve \$8 Million dollars was received from the Delaware National Guard for a project that involves both energy efficiency measures and construction of Solar PV arrays at various Guard facilities. Although the SEU has sufficient funds to make the reservation, due to the preparation of a bond issue, the SEU may prefer that this project be included in the bond issue. At this time, the proposed timing of this project would make it premature for the bond issue; however, the timeline could change. Mr. DePrima explained that a second option would be to do this loan as a bridge loan and carry it until the bond is issued. He reminded members that this was done in 2011 with Delaware State University. Mr. DePrima recommended moving forward with the reservation with the caveat that the DESEU reserves the right to finance this project through the 2016 Bond Issue or as a bridge loan in advance of the bond issue.

Ms. Bakerian moved to approve the reservation for \$8 Million and advise the National Guard that the SEU reserves the right to finance this loan through the 2016 bond issue or as a bridge loan in advance of the bond issue. The motion was seconded by Mr. Schorah and unanimously carried.

b. Scope of Work – Energy Efficiency 2016 Bond Preparation

i. Baird Brown – Review/Update Bond Document – Mr. DePrima informed members that Bond Counsel, Baird Brown is currently under contract with the SEU. The contract reflects that if the scope of work exceeds \$10,000 it must be brought before the Board. After discussions with Mr. Brown, he believes that the documents prepared in 2011 need to be reviewed and updated. The updated scope of work is estimated at \$30,000 and would encompass reviewing and updating documents, as well as Mr. Brown taking this to his ad-hoc committee for their recommendations. Mr. DePrima reminded members that these costs are recoverable through the bond financing.

Mr. Schorah moved to approve the scope of work contract with Bond Counsel, Baird Brown. The motion was seconded by Dr. Shah and unanimously carried.

ii. Independent Owners Representative – Mr. DePrima stated that an important part of the 2016 Bond Issue is to offer participating agencies technical services through what is referred to in the industry as “Independent Owner’s Representative” (IOR). An IOR ensures that the agency gets the best Energy Performance Savings Contract that they can get, and ensures that the contract is properly implemented. Additionally, the IOR ensures that the SEU’s interests are also being met. The SEU has several firms already under contract for these types of services. Because of the size of the bond issue, it is likely that more than one firm will be needed. The plan is to send these companies a scope of work and an MOU that would outline their acceptance of the tasks and assurance of staff availability and timeliness.

The cost for IOR services generally ranges from 1% to 2% of the total project cost, depending on the size of the project. For \$75 million in projects planned for the 2016 Bond Issue, that translates between \$750,000 and \$1,500,000. According to Baird Brown, our bond counsel, these expenses can be included in and paid for through the bond issuance. However, any expenses added to the bond issue could impact the overall bond interest rate and

perhaps the number of projects that can be funded. An alternative approach would be to have the SEU pay for this service through its RGGI funds. This would be an allowable use of the funds that would strengthen the bond issue overall. Mr. DePrima stated that this would be a much simpler way to handle this service.

Mr. Schorah moved to approve the Executive Director to move forward with funding the IOR Scope of Work (via RGGI Funds) with the stipulation that if the cost exceeds \$750,000 dollars it would be brought to the Finance Committee. The motion was seconded by Dr. Shah and unanimously carried.

iii. Temporary/Contract Employees – For informational purposes only - Due to the increase of work created by the Bond Issue, Mr. DePrima stated that he may be recruiting the assistance of two (2) part time employees to assist the SEU. This line item is already included in the budget under “Contractual Services”.

c. Contract of Services – Extension – Mr. Schorah moved to approve the one (1) year extensions for the following contracts, seconded by Ms. Bakerian and unanimously carried.

i. Murphy & Landon – Legal Services – Extend Contract to July 9, 2016

ii. NW Financial Group, LLC – Financial Advisor – Extend Contract to October 19, 2016

d. Consideration of Statements - A motion was made by Mr. Schorah to approve the following statements, seconded by Ms. Bakerian and unanimously carried.

- i. Murphy & Landon – August and September 2015 (\$1,831)
- ii. NW Financial Group, LLC – September, and October 2015 (\$3,018)

4. Reports – September/October 2015 – Mr. DePrima reviewed the following reports:

- a. Executive Director’s Activity Report
- b. Program Activity Report
- c. Budget Report – Ending October 31, 2015

5. New Business/Old Business –Mr. Schorah stated the Boys & Girls Club had an energy audit that proved to yield approximately \$2.5M in energy efficiency improvements. Due to financial restraints, they approved only \$500,000 worth of improvements. Mr. Schorah requested that the SEU look into financially assisting them with these projects. Senator McDowell entertained the idea of pursuing a bond for these types of facilities. Mr. Underwood informed members that they were approved for a grant. According to Mr. DePrima, he has spoken to the Boys & Girls Club regarding low interest loans; however, they are hesitant to take on debt. Members discussed the idea of developing a grant program to assist these types of non-profits. Mr. DePrima suggested having the interns research this concept.

6. Public Comment - Mr. David Tancredi, 2013 Walmsley Drive, Wilmington, DE 19808 was present to address concerns regarding how changes to the Green Energy Fund were handled by the Division of Energy and Climate. Senator McDowell requested that Mr. Robert Underwood directly reach out to Mr. Tancredi for further discussion.

A motion to adjourn was passed unanimously at 11:10 AM.