

Delaware Sustainable Energy Utility
Meeting of the Oversight Board
Lukens Drive, New Castle, DE – Pat Ellis Conference Center
March 19, 2015 – 9:30 A.M.

Welcome

Board Chair Senator Harris McDowell called the meeting to order at 9:30 AM. Present were Kristopher Knight, Joseph Schorah, Trey Paradee (teleconference), David Small, Ismat Shah (teleconference), Charles Wagner (teleconference), Sean Finnigan (teleconference), Dave Bonar, Nnamdi Chukwuocha (teleconference), and Robert Underwood. Also present were Tony DePrima, SEU Executive Director, Kelley Huff, SEU General Counsel, General Counsel, and Lisa Gardner, Office Manager.

Members Absent: Pamela Bakerian.

1. Approval of Minutes - Oversight Board – January 15, 2015 - Mr. Schorah moved to approve the minutes, seconded by Mr. Knight and unanimously carried.

2. Presentation – ICF – Home Performance with Energy Star Program (John White) – Mr. White presented a PowerPoint to update them on the Home Performance with Energy Star Program. Mr. White stated that although the program experienced a slow start up in the beginning it has been steadily increasing since July 2014. Efforts for future success includes expanding marketing efforts, increase training for contractors, increase incentives, partner with IPL, and expand offerings to low/moderate income segment.

Senator McDowell thanked Mr. White for his work and looks forward to the upcoming years with the Home Performance with Energy Star Program.

3. Governance Committee – Salary Review and Recommendation – The Board moved to adjourn into Executive Session.

The board Reconvened in to Open Session. A motion was made by Dr. Wagner to postpone the Salary Review and Recommendation for six (6) months. The motion was seconded Mr. Bonar and unanimously carried.

4. SEU Business

a. VEIC – Net Zero Energy Manufacturing Home Study – Phase II Approval– (Alison Hollingsworth, VEIC) – Mr. DePrima reminded members that VEIC was contracted to conduct a Phase I Market Analysis, which was approved by the Energy Programs Committee. Via teleconference, Ms. Hollingsworth introduced, Elizabeth Chant, also from VEIC.

Ms. Hollingsworth indicated that the Phase II would consist of designing a pilot program to deliver a ZNE MH to a targeted market segment in Delaware. The program would be complementary to and collaborative with existing programs that support low and moderate income housing, energy efficiency, and renewable energy.

As a recap; Phase 1 resulted in the follow conclusions:

- There is sufficient need for more energy-efficient, resilient, and affordable housing in Delaware.
- The barriers to effecting change in manufactured home financing in the short term create a positive impetus to look at modular housing, sited on owned land or land leased with secure long-term tenure.
- Such modular housing built and sited to ZNE MH standards, can reduce the net present value of housing and energy costs over a 30-year life compared to new manufactured homes built to the HUD standard. The study examined several scenarios that showed housing and energy cost savings between 25 and 5 percent. This tells us that even the most conservative assumptions showed benefits of a ZNE MH over the HUD standard.

- When compared to a new manufactured home built to HUD standards, the ZNE MH provides positive cash flow of nearly \$200 per month, beginning the first year.

- There is sufficient market to create a ZNE MH pilot program and sufficient market in the long-term to justify the costs of a pilot program.

- The market of a pilot program would involve new purchases of homes on owned land or on land that is deeded by land trusts for very long-term tenures. This would preclude many of the homes in large manufactured home communities on leased land that are found throughout Delaware but are most common around Delaware's shore communities.

- The role that land trusts can play in transforming manufactured home parks to zero net energy communities can be catalytic, the type of change that could draw new sources of funds to the table.

Based on these conclusions, VEIC recommends moving forward with Phase II pilot program design during which the following would be accomplished to provide the basis for a decision on whether to implement a pilot:

- Establish working groups to solicit feedback on program design during Phase II; working group would include designated DE SEU Energy Program Committee members and external stakeholders

- Work with regional modular home manufacturers to revise open-source ZNE MH plans for Delaware's climate

- Estimate ZNE MH costs, based on Delaware's climate, production costs, and siting costs

- Define potential ownership models

- Investigate funding and financing sources for pilot project, with the objective of sustainability of funding and financing for long-term market development

- Compare costs and benefits of ZNE MH to those of site-built homes

- Document pilot design, including number and location of homes, program partners, incentives and financing, program budget, performance metrics and savings verification.

VEIC will perform the following tasks to develop a DE SEU pilot program:

- 1) Project Meetings and Management

- 2) Submarket Characterization

- 3) Stakeholder Engagement and

- 4) Pilot Program Design.

VEIC has developed pricing based on our standard hourly rates. The contract for Phase II will be billed on a time and materials basis, with a not-to-exceed maximum of \$170,000. This includes expected travel to Delaware as outlined above. Expenses will be billed at cost plus 9.8% (indirect rate).

Mr. Bonar motioned to authorize the Executive Director to move forward with executing a contract proposal for Phase II, not to exceed \$170,000, seconded by Mr. Knight and unanimously carried.

b. Delaware Green Bank – Phase I Report – Mr. DePrima reminded members that the concept of establishing a Delaware Green Bank was discussed during the 2014 Retreat. Mr. Jeffery Schub, Executive Director for the Coalition for Green Capital was available via teleconference for questions.

Mr. DePrima stated that the Coalition for Green Capital has completed their Phase I “Legal and Regulatory” review. The purpose of the review is to determine what opportunities and barriers exist in Delaware for the SEU to form a “Delaware Green Bank” as a subsidiary corporation. In general they found that the SEU has the statutory authority to offer the types of financing products that are being offered in other states that have recognized Green Banks. They also found that Delaware, as well as other states, limit which types of corporations may use the word “bank” in their corporate names to avoid confusion. However, there are conditions when a corporation may be permitted to use the word “bank” in its corporate name but not be a regulated bank. This can occur “in a context clearly not purporting to refer to a banking business, or otherwise likely to mislead the public about the nature of the business of the corporation or to lead to a pattern and practice of abuse that might cause harm to the interests of the public or the State as determined by the Division of Corporations in the Department of State.”

As a part of Phase II, Mr. DePrima stated that having a Market Review Analysis conducted would be extremely beneficial to the SEU. A Market Review would include the following information:

- 1) Summary of the Current Delaware Energy Market
- 2) Existing Delaware Program Review
- 3) Review of Green Bank Landscape, and
- 4) Summary of Findings.

Mr. Schorah moved to recommend the Board authorize the Executive Director to approach the Division of Corporations while at the same time authorizing Phase II – A Market Review for the cost of \$25,000. The motion was seconded by Dr. Wagner and unanimously carried.

c. Pre-Weatherization Program with Catholic Charities – Mr. DePrima stated that a presentation was done on low income programs during the last board meeting; one of them was a Pre-weatherization Home Assistance Program (PHAP). This was one of the programs recommended by the Low Income Program Ad Hoc Committee. The proposed program would be managed by Catholic Charities and funded by the SEU. The program focuses on homes preparing to participate in the State’s Weatherization Assistance Program (WAP). As you may recall, this program defers many qualified applicants because their home has other “non-qualifying” repair needs. The most common non-qualifying repairs are roof leaks, water in basements and crawl spaces, and plumbing and electric system problems. PHAP would fund those improvements so that homes could proceed with the State\Federal funded by WAP. Catholic Charities are in a very unique position to operate the PHAP in a seamless fashion with exclusive access to the deferred clients. Therefore entering directly into a contract with Catholic Charities would qualify under the SEU’s “Sole Source Procurement” section of the Purchasing Policy.

Mr. DePrima thanked members of the Low Income Program Ad Hoc Committee (Dave Stevenson, Jim Black, and Andrea Maucher) for their efforts.

There were several questions from board members regarding the proposed budget and suggestions on how to make it leaner.

Mr. DePrima indicated that the proposed staffing budget provided by Catholic Charities will be reviewed and negotiated, with the assistance with Mr. Underwood.

Mr. Bonar motioned to authorize the Executive Director to enter into a contract with Catholic Charities, with a budget of \$750,000 for the first year. The motion was seconded by Mr. Knight.

d. 2015 SEU Meeting Schedule – In an effort to accommodate everyone’s meeting schedules. A motion was made by Mr. Bonar to permanently adopt a reoccurring Oversight Board Meeting date of the 3rd Thursday, every other month beginning in January 2016. It was also the consensus of members to move the meeting to 9:00 a.m. For scheduling purposes, below are the remaining meeting dates for 2015:

May 21, 2015
July 16, 2015

e. Consideration of Statements – A motion was made by Mr. Bonar to approve the following statements, seconded by Mr. Small and unanimously carried.

- i. Drinker Biddle & Reath, LLP – January 2015 (1,120)
- ii. Murphy & Landon – November/December 2014 (\$5,026)
- iii. NW Financial Group, LLC – December 2014 (\$1,016.25), January 2015 (\$1,106.25)

5. Policy Actions

a. Direct Lending Policy – Amendments – Mr. DePrima presented the following seven (7) amendments to the Direct Lending Policy:

1. Add IRS documents to the list of evidence that can be used to review creditworthiness.
2. Lifts the \$1 million loan cap for government agencies.
3. Makes clarification regarding fees, clearly establishes a ½% commitment fee and a ½% closing fee.
4. Requires the applicant to cover the attorney expenses accrued to the SEU to be paid by borrower.
5. Removes the Executive Committee loan review of projects over \$500,000. Now that the Chairman is a member of the Finance Committee which reviews loans it is somewhat redundant and has added several weeks to the review process.
6. Fixes a numbering problem, creates section for Loan Review Committee responsibilities.
7. Reduces the retainage requirement from 25% to 10% which is standard industry practice.

After much discussion, Mr. Schorah moved to approve the amendments as presented, seconded by Mr. Bonar and unanimously carried.

b. Purchase Policy – Amendments - Mr. DePrima indicated that there are two (2) conflicting sections within our Purchasing Policy that needs to be reconciled. Under Section 3.1 and 4.1 the Executive Director can authorize purchases up to \$10,000. However under Section 8.1 the Executive Director can only sign contracts up to \$5000. The follow amendment would put the both the purchasing threshold and the contracting threshold at \$10,000.

Mr. Bonar moved to approve the amendment to the Purchase Policy, seconded by Mr. Schorah and unanimously carried.

- c. Personnel Policy**
- d. Travel Policy**
- e. Travel Policy & Conference Guidelines for Board Members**

After a brief description of each of the above proposed policies, Mr. Schorah moved to adopt the policies, seconded by Mr. Bonar and unanimously carried.

6. Reports - Executive Director's Reports – Mr. DePrima reviewed the following reports:

- a. Budget Report – February 2015**
- b. Activity Report – January/February 2015**

7. New Business/Old Business – At the beginning of the meeting, Senator McDowell shared with the board that the 2011 bond program performance, indicating that all projects are showing an access of \$5.5M a year.

8. Public Comment

Adjourn

A motion to adjourn was passed unanimously at 12:15 PM.