

Minutes of the
Delaware Sustainable Energy Utility Meeting of the Oversight Board
DNREC Lukens Drive Office
391 Lukens Drive
New Castle, DE 19720
September 22, 2011 at 4 PM

I. Welcome

Board Co-Chair Senator Harris McDowell called the meeting to order. Board members present were Sen. Harris B. McDowell III, Dr. John Byrne, Roger Jones, Rep. Dennis E. Williams, Dr. Charles Wagner, Sec. Collin O'Mara, Sean Finnigan.

Sen. McDowell welcomed the members of the public who were in attendance at the meeting.

Senator McDowell called on members of the public to speak prior to start of meeting in light of an anticipated lengthy executive session later in the meeting

Bob Thornton, Silverstock Builders LLC, Bethany Beach (302-541-0411) spoke about the benefits of the Green for Green program. Silverstock Builders are the builders of the first NAHB certified Green Home in Delaware and the first home in the nation to receive the Gold certification. Mr. Thornton said that half of his inventory that sold have been homes that qualified for G4G rebates. It has been an economic and public relations success, raising awareness and creating demand for homes built to high energy efficiency standards. Mr. Thornton spoke very highly of the SEU's program and its benefits to his company, the public, and the economy.

One homeowner recently told him that they moved from a home with energy bills of \$7-10k a year to \$1,200 for the whole year (this family [and several others] are featured in the SEU programs report)

Howard Fortunato from Landmark JCM builders also praised the SEU program and its positive effects on the Delaware market. Fortunato is one of the nation's top verifiers (per annual report)

A letter praising the SEU's Green for Green Program was submitted to the Board on behalf of the Home Builders of Delaware.

After discussion among the Board, it was agreed the Board would address agenda item III first and would do so in public session.

III. Renewable Energy Task Force and SREC Market Update

Carolyn Snyder of DNREC distributed an agreement for Becker Capital and Finance, BDO Seidman, and the Drinker Biddle law firm to serve as the SEU's Finance Team to provide

an analysis of the SREC auction program between Delmarva Power and Light (“DPL”) and the SEU. Dr. John Byrne and Carolyn Snyder gave the Board an update on the SEU’s work with the Renewable Energy Task Force and the SREC Market. Dr. Byrne explained the history of this matter, including the approvals received from the Board at prior Board meetings. He then discussed the written proposal from Becker Capital and Finance, which was submitted by its President, Ken Becker. Becker Capital led the finance team for the SEU’s successful bond issue earlier this year. The written proposal set forth by Becker Capital would employ the services of BDO Seidman, a nationally recognized accounting firm with specialties in the areas of energy and environmental business, and both governmental and non-profit accounting. In addition, it includes the law firm of Drinker Biddle, which served as bond and tax counsel for the successful SEU bond issue. The law firm has experience in energy matters.

It was explained that the Renewable Energy Task Force (“Task Force”) is charged by law to make recommendations about the establishment of a market-based system for Solar Renewable Energy Credits (“SREC”). The Task Force has recommended a Delaware SREC procurement program which contemplates that the SEU will purchase all environmental attributes created by certain solar renewable energy projects on behalf of and for the benefit of DPL. The proposal from the Finance Team is to review the proposed Solar Renewable Energy Credit Program Agreement between DPL and the SEU. Under that Agreement, the SEU would serve as the agent for DPL under the program. The responsibilities of the Finance Team are described in the proposal.

The SREC purchase and holding system will prevent the peaks and crashes that have sometimes occurred in the SREC markets in other jurisdictions. The project “requires the utility to participate with a certain amount of risk,” but the stabilization created through the purchase agreement is in everyone’s best interest.

The SEU will have “banking rights” to purchase the SRECs and then sell them to back to DPL. Glen Moore from DPL said the project was an extension of the Dover Sun Park deal that will eventually be statewide and engage all utilities. Mr. Moore and Dr. Byrne explained that DPL will reimburse the SEU for the costs of the review by the Finance Team that is under consideration by the Board. In addition, the DPL will be responsible for paying the costs incurred for the auctioneer. Dr. Byrne described DPL as the “backstop.” 12,000 SRECs would be purchased over a 20 year period. DPL is obligated to purchase the SREC from the SEU at certain prices. The SEU offers a centralized entity to facilitate the orderly exchange of SRECs to maintain a stable market.

The Finance Team for the SEU agreed to work on the project under a cap for professional services of \$25,000. The Finance Team also agreed that the SEU would not be obligated to pay any of the fees for professional services unless the SEU entered into the Agreement and moved forward with the SREC market proposal.

Several questions were posed by Barry Yerger, a member of the public, and the Board answered the questions.

Dr. Byrne estimated that the review of the Agreement should take a few weeks. The Finance Team will issue a written report which will be circulated to the Board. If the report is favorable, the SEU will prepare an RFP for an auctioneer.

Dale Davis said that this kind of project is overdue. The SEU has a role to play in providing a more sustainable solar market.

A motion was made to accept the proposal submitted by Becker Capital on behalf of the Finance Team, and the motion was approved unanimously by the Board members present. In addition, pursuant to the motion, if the Finance Team's report on the Agreement is favorable, the Executive Committee is authorized to issue an RFP for an auctioneer and organize a selection process to fill the auctioneer function.

II. Consideration of Executive Committee recommendation re SEU Executive Director and

V. Discussion regarding SEU Contract Administrator, SEU Budget, and Program Portfolio

The Board turned to the business of the recommendation of the Executive Committee concerning the hiring of an Executive Director for the SEU. A motion was made for the Board to go into executive session. Frank Murphy, General Counsel to the SEU, explained that the reasons for the executive session were stated on the agenda that had been publicly posted. He explained that the Board was going to discuss specific candidates for the Executive Director position, and that the Board had been asked to preserve the confidentiality by the applicant who was being recommended by the Executive Committee. Given that this is a confidential personnel matter, the executive session was warranted.

In addition, Mr. Murphy indicated that the Board would also need to address agenda item V in executive session because it involved negotiations concerning the contract with the SEU Contract Administrator and negotiations over the scope of work and budget.

A motion to enter into executive session carried by a vote of 6-1. The Board thereafter entered into an executive session.

During the course of the executive session the Board reviewed the process that had been undertaken to hire an Executive Director for the SEU. An ad hoc committee of the Board developed a description of the job responsibilities and qualifications for the proposed Executive Director position. The committee made a recommendation to the Board, which then delegated further work on the Executive Director process to the Executive Committee. The Executive Committee finalized a job description with qualifications, and the document was circulated to the Board. The position was publicly posted by DNREC.

The Executive Committee arranged interviews with the five most qualified candidates. One of the candidates withdrew from consideration prior to the interview. The remaining four candidates were interviewed by the Executive Committee, with Carolyn Snyder acting for Secretary O'Mara, who was out of town. Prior to the interview process, Roger Jones developed a

series of interview questions/topics and each of the four remaining candidates was interviewed using that document as an outline, so that there was uniformity during the interviews. Following the interviews, the Executive Committee considered each of the candidates qualifications, and unanimously recommended one of the candidates to the Board. The resumes of the five finalists for the Executive Director position were circulated to the full Board well in advance of the September 22 Board meeting.

A lengthy discussion of the Executive Committee's recommendation then took place. Numerous questions were posed by members of the Board, including Representative Dennis Williams, Dr. Charles Wagner, and Sean Finnigan. Following that discussion, the Board members agreed that after the Board went into public session the Board would entertain a motion addressing the Executive Director position, and a public vote would be taken.

Thereafter, Carolyn Snyder of DNREC reported to the Board about the review that had been undertaken by DNREC of the SEU's programs and negotiations with Applied Energy Group about its future contract responsibilities and scope of work, including discussion about proposed budgeting and compensation. Carolyn Snyder was charged with preparing a document regarding AEG's contract, including its scope of work, for purposes of negotiations with AEG.

The Board then voted unanimously to leave the executive session and return to a public session, where it would vote publicly on the matters requiring Board action.

After returning to public session, the Board members present unanimously approved a written resolution dated September 22, 2001 approving and adopting the recommendation of the Executive Committee as to the candidate to fill the Executive Director position.

At the request of Rep. Dennis Williams, the Board considered a motion to budget \$25,000 for an audit of the SEU's finances. The motion to authorize a budget of \$25,000 for that purpose was approved unanimously.

A motion to adjourn was approved unanimously.