

Delaware Sustainable Energy Utility
Meeting of the Oversight Board
391 Lukens Drive, DNREC, New Castle, DE 19702
September 15, 2016 - 9:00 A.M.

Welcome

Senator McDowell called the meeting to order at 9:00 AM. Members present were Trey Paradee (teleconference), Dave Bonar, Robert Underwood, Ismat Shah (teleconference), Kristopher Knight, and Joseph Schorah. Also present were Frank Murphy, SEU General Counsel, Anthony DePrima, Suzanne Sebastian, and Lisa Gardner.

Members Absent: Nnamdi Chukwuocha, Sean Finnigan, Pam Bakerian, and Charles Wagner.

SEU BUSINESS

1. Approval of Minutes - Mr. Underwood moved for approval for the minutes listed below, seconded by Mr. Schorah and unanimously carried.

- a.i. Loan Committee - June 2, 2016
- a.ii. Loan Committee – August 3, 2016
- b. Oversight Board – July 21, 2016

2. SEU Business

a. Multi-Family Housing Program – New Ecology/Elevate Energy – New Ecology, Inc. and Elevate Energy (NEI/Elevate) propose to partner with the Delaware Sustainable Energy Utility (SEU) to develop a best in the nation program for reducing energy usage and promoting clean energy in affordable multifamily housing (AMFH) in Delaware. This program was vetted through the Energy Programs Committee meeting on September 7, 2016; members from the State Housing Authority, as well as the Low Income Committee also participated.

NEI/Elevate proposed a \$3.6 million, two-year program (beginning in January 2017) to provide comprehensive, whole-building, owner-focused services that will create demand for energy efficiency and renewable energy retrofits and address owners' needs for more sustainable building operations, new construction projects and substantial rehab projects. The program is designed to serve more than 500 affordable apartment units in buildings with 5 or more apartments over the two years. The program would help to achieve one of the primary goals of the SEU's strategic plan: to create energy efficiency and renewable energy programs to benefit low and moderate-income communities. The goal would be to meet owners' needs through a three-pronged approach, using DESEU incentives and loans to assist with 1) efficiency retrofits; 2) substantial rehabs; and 3) new construction.

Mr. Underwood motioned to authorize the Executive Director to enter in contracts, after review by General Counsel, with NEI/Elevate to implement the proposed multifamily affordable housing program in accordance with the provided scope of work and budget (2016-17 budgets to be amended to include funding for this program). The motion was seconded by Mr. Schorah and unanimously carried.

For the record, Senator McDowell stated that, since inception, the DESEU Board has always been transparent and subject to laws and procedures when meeting. All board members voiced their confidence indicating that they are comfortable with how staff manages transparency issues. Concurring, Mr. Knight moved, seconded by Mr. Bonar and unanimously carried.

b. Community Energy Centers – As the DESEU moves forward with the concept of establishing Community Energy Centers in strategically located areas around the state where they can serve lower income households with services that will help them lower their energy costs; potential services consist of: energy education, referral services, energy auditing, and installing energy saving measures directly in homes. Services for low and moderate

income households is a priority for the Board, and these community centers would provide the types of services that were recommended in our report on the needs of low and moderate income households in Delaware.

During the September 2015 Oversight meeting members authorized a contract with the Energy Coordinating Agency (ECA) of Philadelphia for \$55,000 to design a pilot program in the State of Delaware based on the Neighborhood Energy Center model that ECA has established and administered in Philadelphia. A part of the contract was to develop a RFP to solicit proposals for the operation of the centers and the overall administration of the program. In March the Board budgeted \$480,000 for the operations of these centers in fiscal year 2016-17. ECA was asked to provide a two year management proposal for their services that would cover: 1) Publishing a Delaware Directory of Energy Services 2) Develop Forms for Center Use 3) Provide Center Training and Quality Control Services to Centers 4) Assess IT Capabilities of Centers/Implement Customized Database 5) Provide Measurement and Verification Services and 6) Collect Data and Provide Unified Reporting from Centers. Based on a time and material estimate, ECA proposed the following budget:

Cost	Budget Year One	Budget Year Two
Administration Labor*	\$147,450	\$147,450
IT Services	\$48,100**	3600
Office Supply\Printing	\$10,000	\$10,000
Overhead (20%)	\$43,480	\$32,960
Total	\$213,920	\$164,520

* Labor rates: Executive Director \$125/hr., Program Director \$100/hr., Program Specialist \$65/hr., Trainers \$125/hr.

** High end of a \$28,100 to \$48,100 Range

In July 2016 an RFP was issued for Community Energy Center operators; we received four (4) proposals. A committee was formed to evaluate the proposals. After meeting with the committee, it was decided to accept two of the proposals that together would provide four centers plus one mobile unit. Counter proposals were offered to the two organizations and they were accepted. The two organizations and their proposals are:

- Catholic Charities has agreed to operate a center principally at their main headquarters building at 2601 West 4th Street in Wilmington, but will train all of their basic service intake workers in New Castle County. In addition, their services include a mobile service center that will make stops in New Castle County, including the Central Baptist Community Development Corporation Center at 839 Pine Street in Wilmington. The Catholic Charities model is that they will train all their basic service intake workers and not have a single person who is solely dedicated to the center.
- First State Community Action Agency (FSCAA) has agreed to operate three centers located in existing Social Service Centers in Dover, Newark, and Georgetown. The DHSS (Delaware Health and Social Services) is partnering with FSCAA by making office space available for the centers. DHSS intake workers will then be trained to refer clients to the centers. The FSCAA model is to have a dedicated staff person at each center.

Both Catholic Charities and FSCAA have agreed to the following compensation for each center: Onetime payment of \$2,500 for center startup costs; and a fee for service compensation, not exceed \$65,000.

Mr. Bonar recommended the Board approve a motion to authorize the Executive Director to execute contracts with 1) Energy Coordinating Agency for a two year “time and material contract” not to exceed \$214,000 in the first year, and \$166,000 in the second year for program administration and implementation services; 2) With Catholic Charities for a two year “fee for services & startup cost contract not to exceed \$67,500 per year for the operation of one community energy center; and 3) With First State Community Action Agency for a two year “fee for services & startup cost” contract not to exceed \$202,500 per year for the operation of three community energy centers. The motion was seconded by Mr. Schorah and unanimously carried.

c. HPwES – Evaluation – In accordance with our plan to implement the recommendations of the Cadmus Study we moved forward on developing a scope of work for an evaluation of the Home Performance with Energy Star (HPwES) Program which has been operated by ICF International for the past 2 ½ years. The scope was sent to four pre-qualified energy engineering and management firms already under contract with the DESEU. The intent of the scope of work was to be threefold: 1) complete a Process Evaluation which looks at how the program operates and makes recommendations for improvement; 2) complete an “Impact Evaluation” and “Process Evaluation” which independently looks to measure and verify energy savings claimed by our contractor ICF and determine effectiveness of process used to implement the program 3) Assist the DESEU with preparation with an RFP for rebidding the HPwES program to include a Quick Home Energy Inspection component. The current contract with ICF ends June 2017.

Three (3) solid proposals were received and reviewed by Tony DePrima, Suzanne Sebastian, and Emily St. Clair who is the M&V expert for the Division of Energy and Climate. The review committee recommended the proposal from Warren Engineering in partnership with EcoMetric Consulting and Johnson Consulting Group. The Committee felt like the Warren Engineering proposal had the best balance between cost, quality, and experience. Both Process Evaluations and Impact Evaluations involve detailed review of the program documents as well as detailed interviews and surveys of DESEU staff, ICF staff, participating contractors/trade allies, and the home owners who participated. The Warren Engineering proposal included the following activities: Kickoff meeting and work plan, Documentation reviews, Tracking system analysis, Up to 10 trade ally interviews, Up to 8 program staff and implementer interviews, Total of 70 customer impact and process surveys, and 70 desk reviews, Total of 70 non-participant surveys and 70 stalled participant surveys, Engineering analysis, Billing analysis for weather-sensitive measures, and Billing-adjusted engineering analysis for prospective recommendations.

The Program Budget of the HPwES is \$3 million dollars so the estimated cost below the 5% benchmark for the cost of doing program evaluations. The timeline in the proposal is to complete a final report by April 15, 2017. The RFP for the new program is planned to be out by March 31, 2017 with the hope of being able to start the new program on July 1, 2017.

Mr. Knight moved for the Executive Director to enter into a contract with Warren Engineering as the lead contractor for HPwES Evaluation in accordance with their evaluation proposal received and for a cost not to exceed \$135,000, seconded by Mr. Underwood and unanimously carried.

d. Oversight Board Meeting Schedule Amendment – Due to the Legislative schedule and the conflict of several board members, staff recommended that the Oversight Board Meeting schedule be amended as follows: the first three (3) meetings of the year (January, March, and May) the DESEU Oversight Board Meeting will be held on the 3rd Friday of the month. The remaining three (3) meetings of the year (July, September, and November) the meetings will be held on the 3rd Thursday of the month. The start time for all meetings will remain at 9:00 a.m.

Mr. Bonar moved to amend the Oversight Board Meeting schedule, seconded by Mr. Schorah and unanimously carried.

e. Solar Resiliency Pilot Program – Loan Approval - In December of 2014, Gabel Associates was retained by the DESEU to design a Solar Resiliency Pilot Project (the Project) that would demonstrate the benefits of coupling solar PV with battery storage. The project was previously discussed at the May 2015, September 2015, and at the March 2016 Board Meetings. The Board authorized the Executive Director to work with Gabel Associates, our General Counsel, Commercial Counsel and our Financial Advisor to complete all necessary technical and financial due diligence necessary to finalize terms of the program based on the current proposal including a \$2 million loan and an SREC-purchase incentive, pending final approval from the Board.

Technical Due Diligence Review - Updated usage and electricity-cost information over the last 12 months was collected from the customers. The first key discovery was that three of the four sites are now on Third Party Supply arrangements, with lower electricity cost points than had been modeled previously (due primarily to lower natural gas prices). The 9 cent Power Purchase Agreement (PPA) price must be decreased in order for the customers to realize savings. The second key discovery was a reduction in consumption at several sites (due to energy efficiency efforts and other factors) that necessitated a smaller project size. The combination of smaller project size and need

for a reduced PPA rate impacts the incentives required. Gabel Associates has worked with the solar developer to adjust overall project parameters so that it is both amendable to the project financier, delivers savings to the host sites, and minimizes the amount of incentive change required. Given these findings, the project parameters change as follows:

Project Size:	324.30 kW (down from 484.07 kW)
Term:	20 years (up from 15 years)
PPA Rate Year 1:	Blended 7-cents/kWhr across four projects (down from 9-cents/kWhr)
Escalator:	Years 1-10 flat; years 11-20 to match prevailing utility escalation in effect at that time (change from flat for entire term)
SREC Purchase Price:	\$275,000 (up from \$200,000). This SREC-purchase incentive is equivalent to \$.84/watt. (Up from \$.41/watt)
Loan Amount:	Unchanged at \$2,000,000, 20 year term.

Financial Due Diligence Review - The following actions, as agreed to by Edison Power Company (Edison) as the PPA financier, are being taken to mitigate construction risk and to securitize the loan.

Mitigation of construction risk - Edison has agreed to set up an Escrow account with equipment and cash sufficient to complete construction. Release from escrow will be dependent on construction milestones and payments to other key parties associated with the project. We have also offered the option of a Letter of Credit or a Performance Bond.

Securitization of loan - Edison has agreed to a lien on project equipment by DESEU. In addition, the PPA will assign the electricity payments from the customers to DESEU in the case of default by Edison Power Company.

Next Steps - Finalize and execute agreements with Edison Power Company, finalize PPA agreement and present to customers for execution.

Mr. Schorah motioned to authorize the Executive Director to execute contracts and loan documents, following General Counsel review and approval, with EZenergy and Edison Power Company to implement the project under the conditions listed above and conditioned upon PPA execution by the four host sites, seconded by Mr. Underwood and unanimously carried.

f. A motion was made by Mr. Bonar to approve the following statements, seconded by Mr. Knight and unanimously carried.

- i. Murphy & Landon – June/July 2016 (\$2,436)
- ii. NW Financial Group, LLC – July (\$565)

3. Presentations – The following presentations were given to the Board:

- a. EEAC and EM&V Regulations – Robert Underwood (Attachment A)**
- b. Green Energy Program – Thomas Noyes and Jessica Quinn (Attachment B)**

4. Reports – May 2016/August 2016 – Mr. DePrima and Ms. Sebastian presented the following reports to the Board.

- a. Executive Director’s Activity Report
- b. Program Activity Report
- c. Budget Report – Ending August 2016

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