

Delaware Sustainable Energy Utility
Meeting of the Oversight Board
500 W. Loockerman Street, 5th Floor, Dover, DE 19904
March 17, 2017 - 9:00 A.M.

Welcome

Senator McDowell requested Trey Paradee to chair the meeting until his arrival; the meeting was called to order at 9:10 AM. Members present were Senator McDowell (conference), Robert Cameron, Richard Jones, Thomas Noyes, Trey Paradee, Kristopher Knight (teleconference), Michael Chajes, Joseph Schorah (teleconference), and Andrew Slater. Also present were Frank Murphy, SEU General Counsel (conference), Anthony DePrima, Suzanne Sebastian, Kate Bayard, and Lisa Gardner.

Members Absent: Sean Finnigan and Pam Bakerian.

1. Approval of Minutes – Mr. Paradee moved for approval of the Loan Committee minutes of March 23, 2017, seconded by Mr. Knight and unanimously carried. Mr. Schorah moved for approval of the Oversight Board minutes of March 17, 2017, seconded by Mr. Knight and carried.

2. SEU Business

a. Energize Delaware Residential Solar Loan Program – Design – During the January 2017 Board meeting Mr. DePrima proposed that the SEU end the Upfront SREC Purchase Program and replace it with the Energize Delaware Residential Solar Loan Program. Mr. DePrima introduced Mr. Kevin Quilliam, InClime. InClime is the implementation contractor for the SREC auction and for the Upfront SREC Purchase Program. They also operate the on-line grant application website GreenGrantDelaware.com. This website will continue to be the portal for submitting and processing solar loan applications. They have been excellent partners and have experience running an energy efficiency loan program in St. Louis.

Below are some of the program features:

- Borrowers: Delaware Homeowners financing owned systems
- Loan Range: \$5,000-\$30,000
- Term: Up to ten years
- Interest Rate: 3.9%
- Solar Quality Controls: System price \$3.25/install watt or less
Require optimal pitch, orientation, sun exposure
- Loan Security: Credit Checks with 650 Credit Score
Debt to income ratio of less than 40%
Loan to value ratio of 70%
- Job Quality: BBB and state license checks

All board members received an Energize Delaware Residential Solar Loan Program Design packet. Under this program, the SEU provides the capital for the loans. InClime would receive 2.9% of the interest on the loans to cover administrative costs, and the DESEU would earn 1%. If there is a default on a loan, then neither party receives interest, and InClime does not owe the DESEU the

principal. InClima is responsible for administering collections; under this arrangement, InClima will be making the loans.

Our contracts and agreements with InClima would have no cost. The contract and agreements for this program will be modeled after our contracts and agreements with our Home Performance Loan vendor. There are three operating contracts/agreements:

- Buy-Sell Participation Agreement – Establishes InClima as the seller of loans on our behalf, establishes the capital escrow account, and sets up InClima as loan servicer.
- Implementation Agreement – Sets forth the implementation obligations such as reporting requirements, use of the website, customer service support, communications, marketing, etc.
- Servicing Agreement - Sets forth in detail the servicing obligations of InClima.

Mr. Noyes made a motion to move forward with establishing a residential Solar Loan Program as described in the attached Program Design and enter into agreements with InClima as our implementation contractor, contingent upon Mr. Murphy’s review of the contracts. The motion was seconded by Mr. Paradee and unanimously carried.

At 9:20AM Senator McDowell arrived and resumed chairing the meeting.

b. Loan Policy Amendment Increasing Loan Cap - Mr. DePrima informed members that he has received a number of inquiries from businesses interested in our loan program but are seeking more than our current cap of \$1 million and is recommending that the Loan Policy cap for business entities be increased from \$1 million to \$2 million. The cap was placed at a time when RGGI funds were limited, and we had limited experience in managing the Loan Program. Since that time, RGGI funding has built up to significant levels, and we are now experienced in managing the Loan Program. He noted that the SEU has processed four (4) loans above \$1 million for agencies and non-profits including: Christina School District (\$5.3M), Delaware National Guard (\$4.5M), Riverfront Development Corporation (\$2.9M), and Ecology Solar/Wilmington Housing Authority (\$1.5M). Mr. DePrima is confident that the SEU can manage this level of private loans, and it will help with drawing down our RGGI reserves.

Mr. DePrima is recommending the following amendment to the SEU Direct Lending Activities: Policies and Procedures Manual as follows:

3. TERMS AND CONDITIONS

3.2. MINIMUM STANDARDS

(2) No more than ~~\$1,000,000~~ \$2,000,000 shall be outstanding to any one non-governmental borrower. For borrowers that are business entities, “borrower” means the borrower and any other corporation, Limited Liability Company, partnership, trust or other entity in which more than 50% of the ownership or equity interests are held directly or indirectly by borrower or those persons or entities holding more than 50% of the ownership or equity interests in borrower.

Mr. Paradee stated that being a member of the Loan Committee, he can attest that each loan application is carefully reviewed and vetted, and feels very comfortable with the requested amendment.

Mr. Noyes moved to approve increasing the cap from \$1,000,000 to \$2,000,000; the motion was seconded by Mr. Chajes and unanimously carried.

c. Community Energy Centers – Home Energy Assessments – The SEU has been investigating the possibility of adding a Quick Home Energy Checkup (QHEC) component to our Community Energy Center Program. QHEC is a cost effective program offering for Delaware’s low-income households. The program design would incorporate in-home energy education and direct install of measures such as LED light bulbs and LED night lights, faucet aerators, low-flow showerheads, pipe wrap insulation, rope caulk, storm window kits, etc.

Household income for this program would not exceed 300% of federal poverty level and would be available to homeowners and tenants in single family buildings with 4 or fewer units. QHEC is a vital first step in addressing the energy problems of low-income households and would be coordinated through our Community Energy Centers.

The Energy Coordinating Agency (ECA) of Philadelphia, current administrator for the Community Energy Center Program, has developed the attached QHEC Program Design and will be submitting a proposed budget to administer this program during the upcoming fiscal year. The initial target is to service 600 households initially and then ramp up to 1,000 households. Program administration will cover training for auditors and energy educators to be trained to Building Performance Institute (BPI) certified or BPI Building Analyst certifications which will allow for a quality program across the State.

Mr. DePrima stated that the final program design and budget for this enhanced Community Energy Center offering for a Low-Income QHEC Program will be brought to the Board during the May 2017 Board meeting.

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

- i. Murphy & Landon – January 2017 (\$1,230)
- ii. NW Financial Group, LLC – December 2016/January 2017 (\$2,177)
- iii. Young Conaway Stargatt & Taylor, LLP – November 2016 – January 2017 (\$372)

3. Committee Assignments - Due to recent appointments, there are several vacancies that need to be filled. Those interested in serving on one of the following committees: Governance & Nominating, Finance & Audit, and Energy Programs, are to contact Mr. DePrima or Senator McDowell.

4. Reports – January/February 2017 – The following reports were presented to the Board:

- a. Executive Director
- b. Program Manager
- c. Communications & Marketing Manager
- d. Budget Report – Ending February 28, 2017

5. New Business/Old Business – Senator McDowell expressed his concern with marketers that are marketing pieces of energy efficiency and believes that we could accomplish much more if we join forces.

6. 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.

Minutes of the Executive Session will be placed on the May 19, 2017 Oversight Agenda for approval.

A motion to adjourn was passed unanimously.