Delaware Sustainable Energy Utility
Meeting of the Oversight Board
391 Lukens Drive, DNREC, New Castle, DE 19702
January 18, 2019 – 9:00 AM

Welcome

Senator Harris B. McDowell, III (teleconference) called the meeting to order at 9:00 AM. Members present were Richard Jones, Sean Finnigan, Andrea Kreiner (proxy for Secretary Garvin, Department of Natural Resources and Environmental Control), Kristopher Knight, Joseph Schorah, Andrew Slater, and Senator Trey Paradee (teleconference). Also present were Frank Murphy, General Counsel, Edward Synoski, Anthony DePrima, Suzanne Sebastian, Kate Bayard, and Lisa Gardner.

Members Absent: Michael Chajes

1. Approval of Minutes – Senator Paradee moved for approval of the minutes of November 15, 2018, seconded by Mr. Schorah and unanimously carried.

2. SEU Business

a. Sole Source Engagement – Faw Casson – General Accounting Services – Mr. DePrima indicated that this item was tabled during the last meeting so that the below fee schedule could be provided. Faw Casson's current proposal was included in the meeting packet.

Professional\Product	Services	2013 Rate	2019 Rate	Average Annual Increase
Book Keeper	Book keeping & assist w/ reporting, auditor prep, tax prep.	$75	$95	3%
Accountant	Financial Reporting	$225	$295	3%
Accountant	Audit Preparation	$225	$180	-2%
Flat fee	IRS 990	$1,500	$1,750	2%
General Hourly Rates	IRS 990 & Misc.	$150-$275	$175-$315	2%

As depicted above, billing over time shows their annual rate increases to be reasonable and have decreased in some duties as they shifted personnel. The number of hours related to tasks has increased as the SEU has become a more complex organization.

Mr. Schorah moved to authorize the Executive Director to execute year to year letters of engagement with Faw Casson for up to three (3) years for accounting services under terms similar to past agreements and allowing for reasonable fee increases. The motion was seconded by Mr. Finnigan, and unanimously carried.

b. Authorization to Issue RFP for Master Lease for Tax Exempt Energy Financing - Mr. DePrima updated members stating that the expected Energy Efficiency Bond closing is to take place on February 5, 2019.

Mr. DePrima introduced the concept of adding another financing tool for supporting Energy Saving Performance Contracts (ESPC) for school districts and state agencies; known as a tax-exempt Energy Efficiency Master Lease and is commonly used around the country. This form of tax-exempt lease-purchases, are also known as municipal leases. In these arrangements, public sector agencies pay for assets through lease payments and own the assets after the lease term expires. Under energy efficiency lease arrangements, the energy efficiency measures are the assets. Like bonds, it allows for agencies to pay for energy upgrades by using money that is already set aside in its utility budget; the funds come from large banks and financing organizations that specialize in tax-exempt lease purchases.

Mr. DePrima stated that a “Master Lease” occurs when a central authority enters into an agreement with the financier to offer tax exempt “subleases” to selected agencies under the terms of the master lease. The concept of entering into a master lease was first introduced and accepted in our strategy plan when in 2013; Red Clay School District used the State of Delaware’s Master Lease with the Bank of America to fund their $20 Million energy efficiency project.

Financing ESPCs through tax exempt leases allows for the flexibility to fund contracts as needed, versus trying to coordinate contractors and agencies to aggregate one large bond issue. Mr. DePrima stated that the only reason that the SEU was able to execute the existing bond issue was because the SEU had $10 million for bridge loans to carry projects that were ready to be funded more quickly than others.

Mr. DePrima provided members with RFP examples from the States of Virginia and Kentucky (which showed the typical terms).

Staff is seeking authorization from the Board to work with our financial advisors to issue a competitive Request for Proposals to seek the best terms possible for a master lease under which state agencies and school districts can fund ESPCs. The SEU would like to secure a 3-year Master Lease that would allow up to 20-year terms, and perhaps a total cap of $30 million. Final proposals and recommendations will be brought back to the board for approval.

Mr. Finnigan moved to authorize the Executive Director to move forward to issue a competitive RFP and bring the final proposal and recommendations back to the full board for approval. The motion was seconded by Senator McDowell, and unanimously carried.

c. ABC Contract Extension – Expanded Scope – With much regret, Mr. DePrima informed the Board that Kate Bayard submitted her resignation letter. Kate has chosen to make a career change; her last day of work will be January 30, 2019. We wish her only the best in her future endeavors. As a result of Kate’s departure, one of her key projects/goals was to assemble the 2018 Annual Report. As you may know, the Annual Report is one of the most important public documents that the SEU publishes. In order to accomplish this goal, we are requesting to use the resources of AB&C and to extend their contract to June 30, 2019 and increase the contract amount, with a not to exceed budget, by $4,800.

Secondly, Mr. DePrima requested additional funding, in the amount of $3,180, for the re-branding campaign for a publicity push for newspapers, radio, and TV.

Mr. DePrima reminded members that the SEU’s Purchasing Policy allows the Board to extend contracts up to 12 months and approve change orders, which includes the expansion of work.
Ms. Kreiner moved to approve extending AB&C’s contract to June 30, 2019 and to increase their contract scope of work to include $4,800 for completing the 2018 Annual Report, and $3,180 for a re-branding publicity campaign (total contract increase of $7,980). The motion was seconded by Mr. Finnigan and unanimously carried.

d. Budget Amendment 2018-2019 – As done in previous years, Mr. DePrima reviewed each line item depicted in the Budget Amendment memo (detailed items were included in the packet that was previously emailed to all members).

Mr. Schorah moved to approve the FY 2018-19 Revised Budget as presented, seconded by Mr. Finnigan and unanimously carried.

e. Exelon Settlement Fund – In 2015, the Public Service Commission approved the Amended Settlement Agreement which related to the Exelon-Pepco Holdings Merger. Within the settlement agreement there was a commitment on behalf of Exelon to fund $4 million for low-income energy efficiency programs for Delmarva customers. The goal was to make the Merger Settlement funds available to as diverse a set of effective low-income programs as reasonably possible. In compliance with the PSC directive, Delmarva turned to the Energy Efficiency Advisory Council (EEAC) to develop and recommend a plan for the distribution of these funds. The EEAC formed a "Low-Income" Committee to work on the design of the program. The SEU is a member of both the EEAC and the Low-Income Committee.

In late 2017, Delmarva provided the PSC with the EEAC recommendations, which included:

1. Appointing an experienced charitable money manager through a competitive request for proposal (RFP) process.
2. The Manager would distribute funds through a competitive grant process to capable organizations for the purpose of delivering energy efficiency programs to low-income ratepayers located in Delmarva Power's Delaware service territory.
3. The Manager would distribute funds through a grant making process that serves both large-scale and small-scale community-based low-income energy efficiency program(s).
4. The Manager will oversee the grant making and implementation performance processes for both the large-scale and community-based grant programs.
5. The Manager will identify and seek additional community and private sector funds that can be combined with the Low-Income Merger Settlement Funds to increase the effectiveness of the proposed program activities including policy, prioritization and fiscal support.

As a 501(c)(3) Charitable Corporation, Mr. DePrima stated that the SEU would qualify as the "money manager", and is confident that the SEU is the best suited organization to manage this program. Mr. DePrima emphasized the he cannot conclude that it is in the DESEU's best interest to submit a proposal until the RFP is issued. However at this time, he would like to be authorized to submit a proposal if he believes it is prudent. If selected, final approval to enter into contracts would have to be approved by the Board.

Senator McDowell moved to authorize the Executive Director to submit a proposal for the RFP, seconded by Mr. Slater and approved with one (1) abstention, Ms. Kreiner.

f. Proposed Multiple Family Loan Program with Delaware State Housing Authority (DSHA) – Memorandum of Understanding (MOU) – Ms. Sebastian, DESEU Program Manager, explained the slow uptake with developers participating in the Energize Delaware Affordable Multifamily Housing Program. This program offers incentives and loans to help multifamily building owners make energy efficiency and renewable energy investments to save money on operating costs, reduce energy use, and improve the living environment for low to moderate income Delawareans. This program provides technical assistance, financial incentives, and low-interest loans to help owners plan and implement energy upgrades at three points in a building's lifecycle: 1) at initial construction; 2) at refinancing when major rehabilitation is planned; or 3) whenever poor energy performance or equipment deficiencies spur equipment and building upgrades.

A meeting was held with New Ecology and the Delaware State Housing Authority (DSHA) to discuss ways to increase participation in this program and offer financing options that are attractive to building owners to encourage them to increase energy efficiency options for their residents. It was determined that our financing may be attractive to building owners through the construction phase of the project before permanent financing is secured through the DSHA upon completion.

The idea that we developed was to partner with DSHA to provide $1 Million for: 1) short-term construction loan financing on projects designed to achieve energy performance that exceeds Delaware's energy code and which will receive other financing from DSHA; and 2) predevelopment and rebate incentives to facilitate improved design and energy modeling, and more energy efficient equipment and practices.

By partnering with the DSHA, the SEU could fill the financing gap for energy efficiency measures during the construction phase and assist with energy design and modeling of potential projects. The project developers are already familiar with the DSHA protocol and applications. Under this proposal the DSHA will administrator the program on our behalf with no charge to the DESEU. Having them administer these funds helps to streamline the process and reduce the administrative burden for program participants. More specifically:

- Loans terms are for the construction period only and interest rates will be below market. We expect it to be between (2 to 4%)
- DSHA will determine the loan amount available from the loan fund based on each project's need, the projected energy performance, and the amount of loan funds available
- To be eligible for a loan, applicants must pursue one of the Comprehensive Green Certification options described in Program Guidelines for Low Income Housing Tax Credit (LIHTC) projects
- DSHA will service the loans and provide the administrative oversight for these funds
- DSHA will return the principle and interest earned to the DESEU.

Responding to Mr. Slater, Ms. Sebastian stated that if the multi-family residents completed energy efficient improvements, there are limits/criteria in place through DSHA that determines how much owners can raise the rent with Low Income Housing Tax Credit (LIHTC) projects.

After much discussion, Mr. Murphy suggested that the Executive Director be authorized to execute a draft Memorandum of Understanding (MOU) with the Delaware State Housing Authority to develop a construction loan financing pilot program as described above to be offered in coordination with the Affordable Multifamily Housing Program in the amount up to $1 Million for a term up to two (2) years. The MOU is to be brought back to the Oversight Board or the Executive Committee of the Board for approval should we pursue a more permanent arrangement.

Ms. Kreiner motioned to move forward in negotiating a Memorandum of Understanding (MOU), which is to clearly depict the rent verses energy costs matter. The MOU is to be presented to the Executive Committee or the Oversight Board for review. The motion was seconded by Mr. Schorah and unanimously carried.

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

i. Murphy & Landon – October/November 2018 ($1,533.59)
ii. NW Financial Group, LLC – October/November 2018 ($14,388.75)

3. Reports – The following reports were presented to the Board.

a. Executive Director
   i. 2019 Bond Issue Update
b. Program Manager
c. Communications & Marketing Manager
d. Budget Report – Ending December 2018

Meeting Adjourned at 10:55 A.M.