

**Sustainable Energy Utility Oversight Board Meeting
December 6, 2007**

Meeting Location: Room 219, Trabant Center, University of Delaware, 11:30 a.m.

In attendance

Senator Harris B. McDowell, III, Chair

Dr. John Byrne, Co-Chair

Senator Gary Simpson

Senator Charles Copeland

Charlie T. Smisson, Jr., Delaware Energy Office

Keith Lake, People's Settlement Association

Representing Arthur Padmore, the Public Advocate:

John Citrolo, Deputy Principal Assistant (Division of the Public Advocate)

Technical Consultant:

Ralph Nigro, Applied Energy Group

Task Force Staff:

Sean Finnigan, Legislative Assistant, Delaware State Senate

Manu Mathai, CEEP, University of Delaware, UHELP Research Associate

Eric Partyka, Delaware Senate Energy and Transit Committee Intern (CEEP, University of Delaware)

Executive Committee

The Oversight Board reviewed the composition and size of the Executive Committee. The function of the Executive Committee is to facilitate activities on behalf of the Oversight Board, which need to be conducted in an expeditious manner. The Oversight Board proposed that there should be an alternative member in the event an Executive Board member is not available.

The Oversight Board unanimously voted to have a Sustainable Energy Utility Executive Committee that is composed of five Oversight Board members with one alternate. The Executive Committee members are: Senator Harris B. McDowell, III, Dr. John Byrne, Senator Charles Copeland, Charlie T. Smisson, Jr., and Keith Lake. The alternative position can be filled by any of the Oversight Board members in the event that one of the Executive Committee members is not available.

Minutes

The November 1, 2007 SEU Oversight Board minutes were unanimously approved by the Oversight Board.

Indemnity Insurance

In order for the SEU Oversight Board to acquire Indemnity Insurance it needs to be a formal entity like a 501(c)3 with a tax ID number. The Executive Committee will work on formalizing the status of the Oversight Board and the Board's attorney will file the appropriate paperwork.

Opening Remarks:

The Oversight Board discussed the goals and mission of the SEU. Noting that the the cheapest and cleanest unit of energy is the unit of energy not used.

The goals of the SEU are:

- 1.) Provide 400-500 MW peak load reductions by 2019
- 2.) Install 300 MW of customer sited renewable energy by 2015.
- 3.) Reduce 5.5 million metric tons of CO₂ emissions by 2020, or 33% of the State's current carbon footprint

By achieving these goals the SEU will lower electricity rates and fuel costs for Delaware.

A Sustainable energy path will be achieved by energy conservation, energy efficiency and onsite renewable energy. The following slogan was suggested for the SEU, "Sustainable Energy the First Energy source for the First state".

RFQ Procedures

An RFQ model letter for Underwriting Services was presented to the SEU Oversight Board. It was proposed that a final version of the model letter be sent to the firms on the distribution list, in order to acquire and select a bond underwriter. Responses to the RFQ will be sent to the SEU Oversight Board, with Attention to the Co-Chair.

On Bond Counsel Services, there is a complicated issue of how to maintain the tax exempt status of the bonds. The three tests to ensure a bond is tax exempt it must demonstrate that the bond funds are not used for profits, loans, or payment. The IRS has complex rules and regulations that require the expertise of tax counsel. Nonetheless, there may be some difficulty maintaining a tax exempt status for all of the bonds, particularly in area of the commercial industrial sector. As a result, the bonds may need to be bifurcated into tax exempt and non-tax exempt bonds.

The SEU Oversight voted unanimously: To authorize the Executive Committee to select the underwriting service firm(s) and allow more firms to be added to the distribution list. To further add the appropriate disclaimer to the RFQ, that the SEU Oversight Board has the right reject any proposals. And, that all Oversight Board members will be invited to participate in the Executive Committee deliberations on this issue.

A model RFQ for Bond Counsel was provided to the SEU Oversight Board along with a list of potential firms. The bond counsel will actually write the bond. The SEU bonds

need to be written before they can be sold. The bond counselors are not paid on a contingency basis like the Bond Underwriters but rather on a fee for service basis.

It was again noted that the SEU Oversight Board needs to incorporate as a private non-profit in the state of Delaware before we can contract for these legal services.

The SEU Oversight Board voted unanimously: To authorize the Executive Committee to select the Bond Counsel firm(s) and allow more firms to be added to the distribution list. To further add the appropriate disclaimer to the RFQ, that the SEU Oversight Board has the right to reject any proposals. And, that all Oversight Board members will be invited to participate in the Executive Committee deliberations on this issue.

Discussion of “Early Launch” SEU Program Options

An Early Launch SEU Program: High Efficiency Building Strategies for Low-income Families in the Eastside Community of Wilmington, Delaware.

(A Project Narrative was provided to the Board)

Due to the rise in the price of heating oil and in conjunction with efforts of the Delaware Weatherization Assistance Program (WAP), a SEU pilot project was proposed to the SEU Oversight Board. The federal formula for low-income weatherization programs does not include expenditures on energy efficient costs and measures. With the assistance of People’s Settlement Association (PSA) and the Delaware WAP, SEU can address the incremental costs of higher efficiency furnaces and building envelope improvements. The proposal to the SEU Oversight Board is to create a pilot project targeting 25 homes in Wilmington. There would be a substantial education process through the PSA and CEEP’s, Urban Health and Environmental Learning Program (UHELP).

Generally, the project will implement the following steps: First, there will be an energy audit of the energy savings potential of the targeted homes. A comprehensive energy education process will be conducted by the PSA and UHELP with 25 targeted homeowners.

Individual beneficiaries will be asked to sign a shared savings agreement. PSA will collaborate with local fuel supplier to capture the fuel savings of the energy efficiency measures. There will be a substantial monitoring and verification process covering the 15 months of fuel bills before installation and 15 months of fuel bills after installation. Funding for the proposed project does not come from the Green Energy Fund but rather from the Energy Answers Program. The amount proposed for the pilot project is \$57,000.

The SEU Oversight Board voted unanimously to implement the “The Early Launch” Project.

Report on Consultant Progress

The ICF's Delaware Sustainable Energy Utility Progress Update was provided to the Oversight Board. ICF is in the process of talking to several states to determine the best practices and experiences with respect to a SEU model. Due to quality assurance issues Massachusetts and Maine have stayed away from using non-profits for their Contract Administrators. Early indications show that that the RFP and the contracts should maintain flexibility and allow for innovation. ICF is expected to have its final report by the end of December or early January.

The Industry Days were initially proposed for early January but due to number of scheduling conflicts they dates will be moved to a later time. ICF is still in the process of selecting the facility. There will be two half day sessions, one day focused on the Contract Administrators (CA) and the second day will be focused on Implementation Contractors. Invitations for the Industry Day event will go out in both mail and email versions. There will be an online registration mechanism on the SEU website.

One of the goals of this event is to attract innovative individuals and companies. It has also been suggested that the SEU incorporate R&D and modeling functions into the SEU to foster innovation. DEO does provide funding for a number innovation projects as well.

The Oversight Board voted unanimously to set the Industry Day for February 12-13.

Report of ad hoc committee on SEU Publicity

In terms of the education and marketing of the SEU – The SEU Publicity committee stated that the RFP needs to be in place before we start marketing. Assuming that the RFP is in place by March 2008, marketing and publicity efforts can then be underway. The recent DEO's Green Energy Fund advertisement, was cited as an example of how the SEU could be promoted in short period of time and at a minimal cost. At some point, the development of a name, slogan and/or logo of the SEU effort needs to occur in order to create an advertising campaign. Also, the SEU website needs to be improved in order to be more user friendly. The ad hoc publicity committee will speak with Comcast to get some further ideas on promotional activities. Sean Finnigan, from Senator McDowell's office will also assist the publicity committee.

The Next SEU Oversight Board meeting will be January 3rd and will continue to occur on the 1st Thursday of each month. The location for January 3rd meeting will be at the Buena Vista.