CITY OF NEWARK
DELAWARE

CONSERVATION ADVISORY COMMISSION
MINUTES

September 8, 2015

MEETING CONVENED: 7:00 p.m. Council Chambers

MEMBERS PRESENT: George Irvine, Chair, Kismet Hazelwood, John Hornor, Bob McDowell, Ajay Prasad, Kass Sheedy, John Wessells

GUESTS: Rob Underwood, Chair of the Energy Efficiency Advisory, Council, Scott Lynch, DEMEC, Amy Roe, City Resident, Bahareh van Boekhold

STAFF: Carol Houck, City Manager, Tom Coleman, Director of Public Works & Water Resources, Lou Vitola, Finance Director, Rick Vitelli, Electric Director

1. APPROVAL OF MINUTES FROM MEETING HELD ON JULY 14, 2015

MOTION THAT THE MINUTES FROM THE JULY 14, 2015 MEETING BE APPROVED AS AMENDED (Mr. Prasad sent minor edits to the secretary prior to the meeting)

MOTION PASSED UNANIMOUSLY

2. GREEN ENERGY

Mr. Rob Underwood Chair of the Energy Efficiency Advisory Council and DNREC was present to discuss his role and the purposed of the Energy Efficiency Advisory Council ("EEAC"). Mr. Underwood explained the EEAC had been meeting for 7-8 months. Mr. Underwood explained great strides had been made in energy efficiency in Delaware with the passage of Senate Bill 150, House Amendment 2. This bill enabled the formation of the EEAC with 13 members to represent varying degrees of sectors.

- Rob Underwood, Chairman, DNREC representative
- Two representatives from the Sustainable Energy Utility, and one each from the following,
- Delmarva Power & Light
- DEMEC (Scott Lynch)
- Delaware Electric Cooperative
- Chesapeake Utilities
- A representative from manufacturing sector
- Agricultural sector
- Residential Sector
- Low-Income

- Commercial
- Environmental Sector (Amy Roe, City Resident)

The mission statement is as follows:

- To assist effective energy providers (DEMEC)
- Delaware Electric Cooperative
- Delmarva Power & Light
- Chesapeake Utilities

To assist the above in development of energy efficiency, energy conservation, peak demand reduction, emission reduce and fuel switching programs for all customer classes, ensure financing mechanism, cost effective reliable, feasible, evaluation and measurement verification ("EMV"). Mr. Underwood stated all this information is found on their website. The meetings are conducted monthly, typically the second Wednesday of the month from 2-4 PM. All agendas and meeting minutes, presentations, etc., appear on their website. All meetings have a webinar ability (call in ability to a 1-800 number).

Mr. Underwood stated the ultimate goal of the council is to save energy. He stated it is a complex balancing act. Another goal is to work with energy users to improve insulation, use more efficient lighting, behavior modifications to reduce energy consumption, etc. The EEAC has a consultant available on staff to assist them. (Company: Optional Energy – Vermont) This consultant also represents other states as well as Delaware in a similar capacity. This consultant compiled data to compare other states in their energy efficiency goals. What are the leading states doing for energy efficiency (California and Massachusetts) and what are our neighboring states doing. Maryland is of particular importance because Delmarva Power & Light had been running an energy efficiency program for their customers in Maryland but not in Delaware. Although they are not necessarily of interest to City of Newark customers, they can provide a basis for what can be done.

First year through third year suite of programs was reviewed. Energy savings for the first year is 0.4% savings of total electrical sales and energy efficiency, year two is an additional 0.7% and 1.0% for the third year. So in 3 years the total is 2.1%. (The percentage is based upon sales forecast – how much energy do the providers sell). He stated although the percentage sounds low, the dollar figure associated is rather significant. As a comparison a "gold standard state" is at 1.4%, 2.0%, and 2.4% which is clearly substantially higher. Maryland is currently at 1.0%, 1.2%, for their first two years.

Step two is to agree on the suite of programs. The goal is to have all customer classes are represented (low-income, commercial, residential). The list is very extensive and comprehensive and will have an opportunity to impact the Newark residents in a large way. The next step was, DEMEC, Delmarva, Chesapeake, Delaware Cooperative will return with a plan of how to meet the goals, (what programs to launch in DEMECs territory). What is the most cost-effective for Newark residents?

The last and most important goal is the "EMV" step (evaluation, measurement, and verification). This will be key in assessing efficiency savings and making changes as needed. Speed is not the priority, the goal is to get it right. Although the EEAC will vote on the programs, they cannot mandate cities to follow the programs. Each city will have to make the decision what program they want to follow.

Mr. Hornor asked how much money did the State of Delaware allocate for this project. Mr. Underwood replied the state was not contributing. Rate recovery will be more than offset by energy saved. So the average customer will get positive return on their bill. The Regional Greenhouse Gas Imitative (REGGIe). The is funding the state has funds that come in from this fund that the EEAC will utilize to help seed this program and offset some of the program costs.

Ms. Sheedy asked what mechanisms are in place for the commission to stay active in this issue. Mr. Underwood stated would be to contact Scott Lynch at DEMEC. Also tune in the EEAC meetings. In addition, Mr. Underwood stated he would be happy to return at any time to provide updates.

In addition, Ms. Sheedy stated the CAC may in turn may recommendations to the EEAC through DEMEC. Ms. Sheedy asked Mr. Lynch if he had regular contact with the City with respect to upcoming proposals. Mr. Lynch stated he did. His role on the EEAC is to listen to what is being proposed. The proposals will then come back to the local regulatory bodies. Mr. Lynch stated there are nine members on DEMEC with each having their own interests. For example, most members have the state mandated renewable energy/green energy charge. The City of Newark is the only member that has double the charge. DEMEC manages that program and assists the City.

Mr. Irvine stated the CAC could provide feedback and recommendations to City Council on the various programs that the EEAC is proposing.

Ms. Hazelwood asked if preliminary surveys were being conducted to determine interest. Mr. Lynch replied that would be considered after program costs were determined.

Mr. Irvine gave Mr. Lynch a brief synopsis of what the CAC's current and future plans.

3. <u>PUBLIC COMMENT</u>

There was no one from the public that wished to speak.

4. <u>UPDATE AND RECOMMENDATION ON THE LED LIGHT PROJECT</u>

Mr. Lou Vitola, Finance Director was present to speak on behalf of the project from a financial perspective. As a recap, lights on Main Street were converted to LED's in 2011. This was done with ARRA financing of approximately $67,000 for 74 fixtures (averages $910.00 each). In 2013, interest was expressed in a broader LED light conversion, DEMEC advised that funding could be available for a global LED project. DEMEC worked with a consultant to spec out and bid LED lights and options. The proposal was brought to the CAC and gained their support resulting in an October 2014 recommendation by resolution given to Council.

Council did approve the funding. Based on the recommendation it was anticipated to be able to replace 700 of the 250 watt lights and 100 of the 400 watt lights. The total expected cost was $580,000.00 which was the dollar amount included in the CIP project. Savings were estimated to be $55,000 per year by reducing consumption by over 600 megawatt hours per year.

There were three qualified vendors. Rick Vitelli, Electric Director reviewed the specs, pricing and output of the lights at the time the warranty expires and the warranty period itself. It was determined the Leo Tech product is the best for the City of Newark.

With the bid pricing all the Cobra head lights in the City can be done, which equates 2,000 lights plus the cost of the street light arms. City staff will be able to do most of the installation. It was determined the savings would be over 1 million kilowatt hours per year, which equates to $91,000 savings per year and a payback (energy only) of 5 ½ years. The cost of the install is taken off and also the maintenance savings. It was originally anticipated to be an 8 ½ years energy payback.

Mr. Vitola stated the SEU is able to finance the project with a low interest loan to DEMEC to cover the cost of the fixtures and installation for all DEMEC communities. Technically it would be DEMEC's project however the process of acquiring, installing and using the lights would be executed by the City's Electric department. DEMEC would back charge Newark through its monthly bills and the City would make the payment using the 1/3 of the Green Energy funding that is now restricted for the Energy Efficiency Projects.

The terms still have to be finalized by the SEU, DEMEC's board and City Council. The anticipated interest rate is 1.99% with flexible terms (5,10, or 15 years). The SEC's original goal is to make it cash neutral.

This project could be something the CAC may consider allocating its $100,000 in 2015 to reduce some of the financing costs and to shorten the term of the payment (similar to McKees Park).

Mr. Vitola stated he would like to ask for another formal recommendation or at least a letter of support from CAC in advance of making a recommendation to Council at the September 28, 2015 meeting.

Mr. Irvine asked for clarification on where the $100K originated from. Mr. Vitola stated it is the City's annual budget allocation out of the Electric fund to be put towards something the CAC creates or directs an idea for.

If the cost of the lights are financed ($460,000) which equates to $232.00 per light which is a significant decrease from the $910.00 in 2011. If the amount was financed over 5 years with SEU. The financing costs would be roughly equal to the savings. However, with 1/3 of the Green Energy funding available to repay this, it would still take 8 to 10 years to repay the SEU payments.

Mr. Vitola stated he would prefer to finance the amount of 5 years to avoid the upfront capital and use both the 1/3 of the Green Energy funding allocated for efficiency and 1/3 allocated for the Community Projects. It would result in 5 year financing and avoid the interest cost of financing 10 years and match the payments of the SEU with the 2/3 of the Green Energy fund.

Mr. Irvine asked how much is saved in interest payments from a 10 year payoff to a

5 year payoff. Mr. Vitola replied it would be approximately $24,000. Mr. Vitola stated he was not necessarily concerned with the dollar figure as $24,000 is not significant over 5 years, however, if the amount is paid off in five years, another project can commence in year six. Mr. Vitola stated over five years the monthly debt service would be approximately $8,000. That amount matches the 2/3 contribution ($12,000) that is available monthly from the Green Energy Fund. The remaining $4,000 would be funnel through Green Energy grants. There would be no upfront cost to the City. Additionally, if the CAC allocated $100,000 as a down payment, the terms would be even shorter (closer to 3-4 years).

Ms. Sheedy stated if the CAC recommended using the $100,000 as a down payment then the CAC would only be committing 2/3 was not used a down payment, it would be a five year payoff, if it was used. Mr. Vitola stated the CAC could either use the $100,000 or not. The balance could be financed, either $360,000 or $460,000 over five or ten years.

Ms. Sheedy asked if the CAC recommended using the $100,000 as a down payment but did not make a recommendation relative to the Green Energy Fund in order to leave those funds available for other projects, how much would the payback be reduced. How much interest would be saved? Mr. Vitola stated he would have to check.

Mr. Vitola stated recommending one idea but not the other i.e. using the $100,000 but still financing over 8-9 years would preserve the 1/3 for the energy efficiency allocation for community projects and would still save some interest by perhaps making it an 8 year loan rather than a 10 year loan. That would save a small amount of interest.

Ms. Sheedy stated it was her opinion the goal of the CAC was to recommend the most projects and balance the suggestions (i.e. part but not all).

Mr. Prasad stated it was very positive the cost of the lights had dropped so dramatically. However, he was concerned the cost could drop even more. Would it be advisable to do only part of the project and see if costs continue to drop. Mr. Vitola considered that but does not believe prices can decrease any further. Mr. Vitola stated the vendor the City is using has "frozen" the cost so it cannot go up. If after the first "wave" are ordered and installed, the price goes down, the City gets the lower cost.

Mr. Rick Vitelli, Elector Director reported it will take five months to install 2,000 lights.

Mr. Hornor asked how the streets lights will be paid for if the CAC did not contribute. Mr. Vitola stated the intent from the outset was for the CAC to assist in funding the project. Additionally, Mr. Hornor thought the 2/3 allocation was not available until McKees Solar Park is paid off. Mr. Vitola stated McKees is nearing payoff. However, they will need until the end of 2015 to pay back the delayed grant recipients. Also, the United Methodist Church just received a commercial panel grant.

Per Mr. Vitola, the process is as follows: the SEU fronts DEMEC some advancement of loan proceeds, then the municipalities start by using working capital funds to order and install the infrastructure, then the City will submit reimbursements to DEMEC, they will in turn fund the City and capitalize the loan and then the City will start on the repayments after the lights are installed. (There may be a month or two timing difference)

Mr. Hornor asked if a decision had been finalized that evening. Mr. Vitola stated it did not, but budget season is underway and due to the fact it is a 2015 project they would like it completed.

Mr. Irvine stated it was his opinion the $24,000 of potential savings was not a huge amount when considering other projects may have to be halted. He was not certain it was worth saving the $24,000 if other projects cannot be considered.

Mr. Vitola stated the 1/3 that was slated for grant support would still be dedicated.

Mr. Coleman, Public Works & Water Resource Director expressed his support of this project.

Mr. McDowell stated it was his opinion that the CAC may not find a comparable project in the next few years. His thought would be to take the 1/3 and dedicate it to pay the lights. Mr. Vitola stated if a potential project comes along after 2016, an adjustment can be made (as this is not set in stone).

Ms. Sheedy stated this was very exciting but a big deal nonetheless. She asked if the City had any plans to publicize this project.

Ms. Houck stated she was pleased with the City's team and happy with the support received from DEMEC. It is a big deal and should be celebrated. She stated all the "cobra heads" in the City will be changed. She further stated she was very happy with the CAC's participation and commitment to researching new ideas.

Mr. Irvine stated he did not feel prepared to make a recommendation this evening and had hopes there may be something in writing available to the CAC to assist them in making this recommendation. However, the CAC could make a recommendation to endorse moving ahead.

Mr. Hornor asked if the $100,000 allocation was not used, would it carry over into the next year. Mr. Vitola stated it would. Mr. Hornor said it may be wise to use the $100,000 for the down payment, since it is September and hold the energy fund until more discussion.

Mr. Vitola stated the recommendation to Council can say the CAC fund will finance up to 100% of the cost of the project with the SEU and the debt service will repaid with the 1/3 of the green energy fund that is already allocated and discussions are underway with the CAC to accelerate the payback and save interest costs. Council has to improve the loan and the project

Mr. Prasad asked if the McKees Park allocation was for 2015. Mr. Vitola stated it was. He stated the company supplying the panels for the project (Solair) stated additional panels would be $60,000. However, it was not as simple as Solair reported. There is not brackets and wiring in place. Therefore, it is not as simple as getting panels.

Mr. Vitola stated the two project (McKees Park and the LED Light) complement each other well. McKees Park avoids peak usage during the day and LED light savings shaves the peak at night.

Ms. Hazelwood stated it was her opinion the $100,000 down payment was a good idea as the CAC would still have money for community projects in addition to the cost savings during the day with McKees and the LED lights at night.

MOTION BY MR. IRVINE, SECONDED BY PRASAD, THAT THE CONSERVATION ADVISORY COMMISSION ("CAC") ENTHUSIASTICALLY SUPPORTS THE PURCHASE OF LED LIGHTS AND IN SUPPORT OF THIS PURCHASE, THE CAC RECOMMENDS TO CITY COUNCIL TO USE THE 2015 CAC $100,000 ALLOCATION TO USE AS A DOWN PAYMENT TOWARDS THE INVESTMENT IN LED STREET LIGHTS.

MOTION PASSED UNANIMOUSLY: 7-0

Ms. Sheedy asked Mr. Vitola to research the proposed additional solar panels installation at McKees Park and report back.

5. SOLAR REFUSE CONTAINERS

Mr. Coleman reported almost all of the intended solar powered refuse containers are in place. When a red signal is emitted from the compactor indicating it is full, Public Works empties the container. One issue is when they are full they can reach 100 pounds so they are either emptied twice per week or two refuse workers go to the pickup. The biggest usage is near the Iron Hill Brewery. There was an issue with a Chipotle delivery person putting the cellophane wrap into the opening. Chipotle was contacted and asked to follow up with the individual doing it. The hopper opening is not as large as the old containers, so there have been a few things that stuck. Mr. Coleman they are now working with the Planning & Development Department and the Parking Ambassadors now check the containers as well for jams. When the final three units are in place, a twice a week collection will occur.

6. OLD/NEW BUSINESS

Mr. McDowell discussed the idea of landscaping the median on Rt. 4 near the football stadium to prevent parking during games and fireworks. It was suggested that UDEL could landscape the east side of Rt. 4 (near S. College Avenue) and Bloom Energy could be approached to do the west side.

It was also discussed to install signs that Newark is a Certified Habitat Community on all entry points to the City.

Mr. Coleman, Public Works Director will provide performance information on the solar refuse containers when additional data is collected.

Mr. Coleman reported they are considering outsourcing the refuse. Collection of the big belly compactors were included in the contract proposal.

Mr. Irvine asked if the performance to date of the containers alter the initial financial projections.

Mr. Coleman stated the only alteration was fewer containers were put out.

Technically that would make the projections better. But due to the fact that Council requested the containers be picked up twice weekly negated any potential cost savings in that area.

Mr. Hornor asked if any pickups were scheduled on Sunday, and if no, why? Mr. Coleman stated not anymore; and the only location picked up on Sunday was Main Street. Mr. Hornor stated as a Main Street resident he notices the additional trash on Sunday. Mr. Coleman stated they are considering modifying the individual that picks up Main Street.

Mr. Coleman additionally reported the three stormwater basins located at the Hunt at Louviers (stormwater retrofit project with native plantings) were just certified as a Certified Wildlife Habitat. Signage has been installed marking the area.

7. NEXT MEETING

The next scheduled meeting will be held on October 13, 2015 in Council Chamber.

8. ADJOURNMENT

The meeting was adjourned at 8:52 p.m.

Tara A. Schiano
Secretary

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