

MINUTES OF MEETING

BOARD OF DIRECTORS

PENNSYLVANIA ENERGY DEVELOPMENT AUTHORITY

March 28, 2008

Board Members Present:

Hon. Kathleen McGinty, Chair
Mr. Ray Bologna
Ms. Virginia L. Brown
Hon. Thomas Creighton
Ms. Destiny Zeiders (for Hon. Peter J. Daly II)
Mr. Romulo Diaz, Jr.
Hon. Edwin Erickson (by phone)
Mr. Tyrone Christy (for Hon. Wendell F. Holland)
Hon. Steven Kaplan
Ms. Tanya McCloskey
Ms. Cheryl Cook (for Hon. Dennis C. Wolff)
Mr. Josh Myers (for Hon. John N. Wozniak)
Mr. Steve Drizos (for Hon. Dennis Yablonsky)

DEP Staff:

Jeanne Dworetzky, Executive Director
William Shakely, Esq.
Mr. Scott Pauchnik
Mr. Dan Griffiths
Mr. Jeffrey Painter
Mr. Malcolm Furman
Ms. Angela Rothrock
Ms. Rebecca Campbell
Ms. Gina Wiskemann

Public Attendees:

Mr. Robert Postal
Mr. Guy Merritt
Mr. Josh Skopp
Mr. Mike Fenger
Mr. Esko Polvi
Mr. John Nikoloff
Mr. Patrick O'Neill (by phone)

Meeting Called to Order

Secretary McGinty called the meeting to order at 10:03 a.m.

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Secretary McGinty made a motion to approve the minutes of the October 15, 2007 meeting, noting that the minutes should reflect the recusal of Virginia Brown from voting on all projects. Mr. Drizos made that motion and it was seconded by Deputy Secretary Cook and carried unanimously.

Election of Officers

Secretary McGinty announced the election of officers for the positions of Secretary and Treasurer and turned the discussion over to Executive Director Jeanne Dworetzky. Ms. Dworetzky explained that the authority's bylaws require that officers be elected annually; however, officers are not term limited.

Secretary McGinty asked for nominations for the position of Secretary. Steve Drizos nominated Senator Erickson for re-election. Ray Bologna seconded the motion. The motion was carried, and Secretary Erickson accepted the position for another term.

Commissioner Christy responded to Secretary McGinty's call for nominations for the position of Treasurer by nominating Ray Bologna. This motion was seconded by Steve Drizos and all were in favor. Mr. Bologna accepted the position.

Legislative Update

Secretary McGinty introduced Scott Pauchnik, DEP Legislative Liaison, explaining that he would be giving the board an update on pending legislation that would affect PEDA. Mr. Pauchnik highlighted two pending bills, Special Session Senate Bill 1 (passed the Senate late last year and currently in the House) and Special Session House Bill 1 (passed the House March 11). The Senate bill provides \$650 million in funding to the Commonwealth Financing Authority (CFA), however, the House bill provides for \$850 million in funding to be partly administered by PEDA. The House bill breaks funding down as follows:

- \$250 million to Commonwealth Financing Authority
 - \$50 million to be used for the venture capital program
 - \$250 million for the site preparation program
 - \$50 million for working capital, equipment and construction for site preparation.

- \$600 M to PEDA, broken down as follows
 - \$44 million for energy efficient appliances of which \$5 million is to be used as loan loss reserve funds for the Keystone HELP loan program.
 - \$200 million for solar rebates and grants
 - \$270 million for grants and loans to support alternative energy projects of which \$25 million will be for green buildings.
 - \$25 million for pollution control technology projects for smaller coal-fired electric generation power plants.
 - \$30 million for wind energy projects.

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Mr. Pauchnik further explained that House Bill 1 restructures the PEDDA board by reducing its membership from 19 seats to 8 -- 4 government agency appointments and 4 legislative appointments -- which is similar to the CFA's structure. The four agency appointments would be the Secretaries of DEP, Banking, DCED, and Agriculture.

Virginia Brown asked when the bill was expected to be passed and Mr. Pauchnik explained that passage could occur at any time, possibly May or June.

Ms. Brown inquired as to how the restructuring of the board would occur. Ms. Dworetzky explained that if the changes were passed, they would occur as a matter of law. Attorney Bill Shakely confirmed that such changes would occur automatically with the passage of the bill into law.

Growing Greener II Guidelines

Ms. Dworetzky discussed the next round of PEDDA grants funded through Growing Greener II, which were tentatively scheduled to open on April 15.

Ms. Dworetzky reviewed the changes in the current draft guidelines from the prior solicitation. She noted that the change to the paragraph on page 3 is intended to avoid confusion for potential applicants. That paragraph provides that PEDDA funds are available for clean, alternative transportation fuels if the project involves construction of a new facility, while projects involving expansion of existing facilities are encouraged to apply to the Alternative Fuels Incentive Grant program. Ms. Dworetzky then directed the board to the top of Page 4 where land use aspects are discussed, and explained that this bullet was inserted to clarify the PEDDA and DEP policy to consider local planning and zoning when evaluating land use aspects of projects. Ms. Dworetzky also explained that the application form has undergone significant formatting changes, including changes to the way projects report potential results to make it clearer for applicants and staff reviewers.

Secretary McGinty asked for questions or comments. After no response, she asked for a motion to adopt the guidelines. Secretary Kaplan moved to approve the guidelines. Deputy Secretary Cook seconded the motion. There were no objections and the motion was carried.

Guidelines for Duquesne Light Settlement Funds

Ms. Dworetzky reminded the board that it had received \$6 million in funding over four years through settlement of Duquesne Light's rate case. She explained that use of the funds is limited geographically so that 75% of the projects must be located within the Duquesne Light electric service territory. The other 25% may be located outside of the territory, but those projects must directly benefit customers in the Duquesne Light territory. She also explained that these funds may only be invested in Tier I resources and energy efficiency projects. The grantees will be limited to local governments, municipal entities and first responders.

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Ms. Dworetzky explained that \$1.8 million from the Duquesne Light settlement is available for 2008. \$1.5 million was allocated for 2008, and an additional \$300,000 remained from 2007's allocation. Secretary McGinty clarified that the Growing Greener II solicitation will have \$11 million available for 2008, and that the Duquesne Light solicitation provides an additional \$1.8 million available.

Secretary McGinty asked for questions and comments on the Duquesne Light Guidelines.

Tanya McCloskey requested the reasoning for a one year payback on these projects. Ms. Dworetzky stated that the payback time could be changed, but the Department is trying to encourage the kinds of projects that provide quick returns on investment, such as advanced lighting projects. Commissioner Christy stated that some valuable projects could potentially have a longer payback period and suggested expanding the payback period to 1.5 to 2 years.

Romy Diaz requested to return to the Growing Greener II guidelines and stated that he would like to see stronger language that would require consideration of whether a project would use Pennsylvania companies, materials and labor as an evaluation criterion. He also questioned whether the inclusion of language related to Growing Greener funds on page 15 of the Duquesne Light guidelines was needed, and Ms. Dworetzky agreed to remove that language. Mr. Diaz also requested clarification of the discussion of supplies in both sets of guidelines and Ms. Dworetzky agreed to clarify the language. She noted that administrative expenses such as postage are ineligible for the Duquesne Light Funds reimbursements.

Secretary McGinty asked for a motion to adopt the Growing Greener II Guidelines with revisions to the discussion of Pennsylvania companies, materials and labor and clarification that the supplies listed on page 18 are ineligible for reimbursement. Ms. McCloskey moved to approve the guidelines with the changes. Mr. Diaz seconded the motion. There were no objections and the motion was carried.

Secretary McGinty then asked for a motion to adopt the Duquesne Light Fund guidelines with the same changes as in the Growing Greener II guidelines, as well as the modification of the payback period requirement from one year to two years.

Ms. McCloskey moved to approve, and Mr. Diaz seconded the motion. There were no objections and the motion was carried unanimously.

The Pennsylvania Energy Development Plan

Secretary McGinty asked Ms. Dworetzky to review this year's revisions for consideration by the board. Ms. Dworetzky noted that there were relatively few changes from the draft Plan previously published. She further noted that the list of indigenous resources has been revised to reflect more up-to-date data on Pennsylvania's energy resources. She also reminded the board that PEDDA had invited public comment on the draft Plan and

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that a response to comments document detailing the comments and responses had been provided in the materials for the board meeting.

Secretary McGinty asked for questions or comments. After receiving no response, she asked for a motion to adopt the Energy Development Plan and Commissioner Christy made that motion. Mr. Diaz seconded the motion, but added a suggestion that the mission statement be softened so as not to call for complete energy independence, which he felt was not a realistic expectation. Mr. Diaz pointed out that the same reference is repeated on Page 16 where criteria are listed for evaluating projects.

Secretary McGinty explained that the Governor's/Administration's view of Energy Independence is in line with striving to decrease our dependency on foreign oil in a variety of ways. The intent is not that we will not use oil – but that it won't govern us. This perspective acknowledges that we will continue to use foreign oil and would be unable to meet our energy need without it, but that we will develop alternative measures to keep oil from governing us. Commissioner Christy suggested revising the language to reflect that the authority's mission includes enhancing energy independence and energy security through greater energy diversity.

Mr. Diaz then made reference to Page 8 of the Energy Development Plan, questioning whether the reference to “large scale” hydropower was replaced with “incremental” hydropower on the list of Pennsylvania's indigenous resources.

Secretary McGinty explained that the Alternative Energy Portfolio Standard (AEPS) provides that incremental increases in hydro electric power that conform to the standards of LIHI, are eligible to fulfill AEPS requirements and asked that this be clarified in the Plan.

Ms. Dworetzky agreed to make that change.

Secretary McGinty asked for additional comments and there were none. The Secretary offered the plan with two modifications for consideration. The two modifications are 1) clarify the AEPS requirements for large-scale hydropower; and 2) clarify what is meant by “energy independence.” The Secretary asked for a motion to adopt the revised Pennsylvania Energy Development Plan with the above modifications, and Commissioner Christy so moved. Mr. Diaz seconded the motion and all present affirmed.

Consideration of the Mifflin County Industrial Development Corporation Project

Secretary McGinty explained that the Growing Greener II act provides a County Environmental set-aside, earmarking \$90 M to be split among the 67 counties for clean energy projects at the initiative of county government. She explained that such projects are not subject to the competitive application process but come before the board for approval in accordance with its normal procedures. She noted that the legislature has

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given the County the discretion to expend the money. Secretary McGinty then asked Ms. Dworetzky to introduce the current recommended project for consideration.

Ms. Dworetzky described the project as the construction of an energy efficient reflective roof on a 1909 building located in the Mifflin County Business Park and owned by Mifflin County. A manufacturing enterprise, Asher's Chocolates, is housed in the building. Ms. Dworetzky referred the board to the project application in the folder, advising that Mifflin County is seeking a grant of \$75,000 toward a \$100,000 total project. The manufacturer would contribute the remaining \$25,000. Ms. Dworetzky then introduced Mr. Robert Postal, President of the Mifflin County Industrial Development Corporation, so that he could describe the project for the board's consideration.

Mr. Postal explained that the building is owned by the Mifflin County Industrial Development Corporation (MCIDC) and houses Asher's Chocolates. In addition to reducing operating costs for the candy manufacturer, the project will be a demonstration of an energy conservation measure that will be visible to the many residents that visit or work near the location of the building. Mr. Postal also noted that the MCIDC board is taking the lead in energy conservation technology in Mifflin County by initiating a Green Building Policy for this and future building renovations. They plan events and press releases to educate the public about energy conservation.

Mr. Postal then fielded a number of questions from board members. In response to questions from Mr. Diaz, Mr. Postal advised that contracting will be subject to bid, so contractors have not yet been identified but that it is Mifflin County's intention to give due consideration to minority businesses in line with commonwealth procedures. In response to Representative Creighton's question, Mr. Postal explained that about 50 percent of the roof would be done, with a focus on the chocolate manufacturing area. Maintaining cooling efficiency with the reflective roofing will bring down the cost of air conditioning and make for a more comfortable work atmosphere for the more than 100 factory employees. Mr. Postal stated that the roof will save the tenant about 30 percent in electricity costs.

Secretary McGinty asked if all board members were in favor of approving the Mifflin County project, and all agreed. Mr. Drizos moved approval of the project and Commissioner Christy seconded the motion. There being no opposition, the motion was carried and Secretary McGinty congratulated Mr. Postal on obtaining board approval for the project.

Other Matters

Secretary McGinty referred board members to the status reports that had been provided to them. She explained that these charts were created as a way to track the status and results of projects, round by round. Secretary McGinty stated that Mr. Drizos has offered to publish some of this information in DCED's newsletter from time to time.

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Secretary McGinty also noted that PEDDA still has \$19,925,000 to invest over the next 2 years.

Project Presentations

Jeanne Dworetzky introduced two presentations from completed projects funded by PEDDA. The presentations, each lasting about 20 minutes in length were from the following:

Plextronics

Troy Hammond, Vice President of Projects

Tim O'Brien, Director of Government Relations

PFBC

Esko Polvi, Vice President of Operations, Environmental Energy Technology, Inc.

Mike Fenger, CONSOL Energy, Inc., Research & Development

Next Steps

In closing comments, Secretary McGinty stated that the next meeting would take place in the fall. She advised that Representative Daly suggested that the board consider meeting outside of Harrisburg on occasion and she invited board members to share their thoughts on scheduling an alternate location closer to the time of the next meeting.

Public Comment

Secretary McGinty opened the floor to public comment and none were offered.

Adjournment

Secretary McGinty called for a motion to adjourn the meeting. Mr. Drizos made the motion, Tanya McCloskey seconded that motion, and all were in favor. The meeting was adjourned at 12:18 p.m.



Secretary

10/20/08
Date