

**THE PENNSYLVANIA ENERGY  
DEVELOPMENT AUTHORITY**

**ANNUAL REPORT**

**JULY 1, 2005 – JUNE 30, 2006**

Edward G. Rendell, Governor  
Commonwealth of Pennsylvania

Kathleen A. McGinty, Secretary  
Department of Environmental Protection  
& Chair of the Board

**Pennsylvania Energy Development Authority  
2006 Board**

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## **Introduction**

The period from July 1, 2005 to June 30, 2006 marked the first full year of renewed operation for the revitalized Pennsylvania Energy Development Authority (PEDA). Among its accomplishments during the year, PEDA awarded 8.5 million dollars in competitive grants and loans to 25 clean, advanced energy projects, entered into grant and loan agreements with those projects as well as with the 16 projects awarded in June 2005 just before the start of the year, oversaw the completion of a number of first round projects, published the draft Energy Development Plan for public comment and opened its third competitive financing round.

PEDA was created by the Energy Development Authority and Emergency Powers Act of 1982. PEDA is a public corporation governed by a 19-member Board of Directors and managed by an Executive Director and staff. PEDA became active when its first Board of Directors was confirmed on June 26, 1984 and it remained active until 1995. After a period of dormancy, on April 8, 2004, Governor Edward G. Rendell issued Executive Order 2004-5 revitalizing PEDA and transferring it to the Department of Environmental Protection, which now provides staffing for the Authority.

PEDA's mission is to promote the development and use of Pennsylvania's clean, indigenous energy resources and to stimulate economic development and job creation in Pennsylvania's growing energy sector, all in an environmentally beneficial manner.

### **Activities in the 2005-06 Fiscal Year**

During the past year, PEDDA continued to fund innovative alternative energy projects, to help recruit new clean energy companies to Pennsylvania and to work on energy policy issues in concert with the Commonwealth's overall alternative energy strategy.

PEDDA had two major funding sources in the 2005-06 fiscal year. First, Act 45 of 2005 (signed on July 13, 2005), known as Growing Greener II, authorized up to 10 million dollars annually for five years for PEDDA for capital investments in alternative energy projects. The Commonwealth's December 2005 general obligation bond issuance included the first 5 million dollar installment of these funds. The second 5 million dollars of Growing Greener II funds for the year was included in the Commonwealth's June bond issue.

Second, in fiscal year 2004-05, PEDDA received 10 million dollars transferred from the Alternative Fuels Incentive Grant Fund by Act 178 of 2004. Those funds were awarded to 17 projects at the June 23, 2005 Board meeting. However, in September 2005, one of the first round grantees withdrew its 3.5 million dollar grant request as a result of a corporate reorganization. Thus, 3.5 million dollars of the original 10 million dollars again became available for PEDDA to invest in projects.

PEDDA offered two competitive financing rounds during the 2005-06 fiscal year. The first was an 8.5 million dollar solicitation, which was authorized by the Board on October 4, 2005 and which included 5 million dollars authorized under the Growing Greener II legislation, as well as an additional 3.5 million dollars from the withdrawal of a project from PEDDA's June 2005 financing round. At its January 11, 2006 meeting, the Board awarded these funds in the form of grants and one loan to 25 projects. Awardees included for-profit companies, municipal

authorities, major universities and non-profits. A variety of technologies were selected, including wind, solar, biomass, energy efficiency and demand management, fuel cells, waste coal and our first low-impact hydropower project. A complete listing of the projects selected is attached as Exhibit A.

At its April 25, 2006 meeting, the Board authorized the opening of a second competitive round. PEDDA offered 5 million dollars in funding in this round, and stated three priority areas of interest. Those priorities were solar energy, biofuels and distributed generation for critical public infrastructure. The solicitation closed on July 14, 2006, and the Board will meet to consider proposed projects in October 2006.

During the 2005-06 fiscal year, PEDDA continued its successful partnership with the Department of Community and Economic Development (DCED) for the processing and administration of PEDDA loans. PEDDA also continued to provide technical support for energy projects applying for revenue bond financing through the Pennsylvania Economic Development Financing Authority (PEDFA).

The Energy Development Authority and Emergency Powers Act requires PEDDA to prepare an Energy Development Plan (Plan), which sets out the Authority's mission and direction, energy policy objectives, funding priorities and criteria and additional procedural information. The original Plan was prepared in 1984 and updated in 1988. In light of the many changes in energy technologies and energy markets since 1988, the Board determined that it was appropriate to revise the Plan. Thus, during the 2005-06 fiscal year, PEDDA's Board and staff developed a new draft of the Energy Development Plan. The new draft Plan provides policy direction and operational guiding principles and, in general, is a reflection of the Commonwealth's broader

alternative energy strategy. In the draft Plan, the Board identified six overarching policy objectives for the Authority. These include:

- The enhancement of energy security and energy diversity in the Commonwealth;
- The promotion of cleaner, more environmentally beneficial energy production;
- Increased economic growth for the clean energy sector, including the greater utilization of indigenous energy resources;
- The furtherance of technological innovation in critical areas;
- The promotion of energy efficiency, particularly in the industrial sector; and
- The need for increased public confidence in, and support of, clean energy technologies.

In addition, the draft Plan identified four operational guiding principles for all of its activities. The principles are flexibility and responsiveness to energy markets; transparency; maximization of capital; and sound financial decision-making. On April 25, 2006, the Board authorized the draft Plan to be issued for public comment. The Authority accepted comments until July 19, 2006 and will consider all comments before issuing a final Plan.

Additional activities undertaken by PEDA's Board and staff during the 2005-06 fiscal year included authorizing the sponsorship of the 19<sup>th</sup> annual NREL Industry Growth Forum, administering the 41 projects PEDA has awarded to date, preparing new guidelines for the third round of financing, reviewing and evaluating the many new projects that have been presented to us and working with the Office of Energy and Technology Deployment and the Office of Community Revitalization & Local Government Support to recruit clean, advanced energy companies to locate in Pennsylvania.

## **Financial Report**

As of June 30, 2006, the Energy Development Fund contained a total of \$2,611,418.42 in funds. Of that amount, \$1,016,697.82 remained from the Act 178 transfer<sup>1</sup>. The remainder of funds in the Energy Development Fund included designated administrative funds, interest on securities and application fees. The statement of revenues and expenditures for the Energy Development Fund is attached as Exhibit B.

As noted above, Growing Greener II provided PEDA with up to 10 million dollars annually. Those funds are a part of the Commonwealth's general obligation bond issuances. As such, the funds are not deposited directly into the Energy Development Fund, but are maintained by the Governor's Office of Budget as a part of the larger fund containing other general obligation bonds proceeds. PEDA grantees are paid from this larger fund. A statement of revenues and expenditures for PEDA's allocation of Growing Greener II funding is attached as Exhibit C. Finally, PEDA's enabling statute authorizes it to incur up to \$300,000,000 in outstanding debt at any one time. As a result of revenue bonds issued to finance two waste coal projects in 1986 and 1988, PEDA currently has outstanding debt of \$61,545,000. A report of the outstanding debt is attached as Appendix D.

<sup>1</sup> The majority of those funds are attributable to two projects, one of which came in significantly under budget and the other of which withdrew its grant request in order to address significant engineering and design problems. That project expects to reapply in a future round.

### **Activities Going Forward**

PEDA's agenda for the coming year includes financing and policy development activities.

Among other things, PEDA will announce its third round financing awards, consider public comments to the Energy Development Plan, develop and issue a final Plan and help recruit new clean energy companies to Pennsylvania. PEDA also expects to announce one or more new grant/loan/loan guarantee solicitations, review proposed clean energy projects, perform technical reviews of energy projects seeking bond financing through PEDFA and investigate possible additional sources of funding for the Authority.

### **Conclusion**

PEDA has established itself as an integral part of the Commonwealth's efforts to promote Pennsylvania's alternative energy sector. In the coming year, PEDA's Board and staff look forward to fostering energy diversity and energy security in Pennsylvania, to stimulating Pennsylvania's clean energy sector and to helping recruit innovative alternative energy projects and companies for the Commonwealth.

**Appendix A**

<b>Recipient</b>	<b>Amount</b>	<b>Type of Project</b>	<b>Location</b>
Plextronics, Inc.	\$1,000,000.00 <sup>2</sup>	Solar	Allegheny
Elliott Company	\$458,026.00	Energy Efficiency & Distributed Generation	Westmoreland
Cambria Somerset Authority	269,000.00	Low-Impact Hydropower	Somerset
American Refining Group	284,328.00	Combined Heat and Power	McKean
Powerweb Technologies, Inc.	400,000.00	Demand Management	Delaware
Solar Power Industries	500,000.00	Solar	Westmoreland
Star Class, Inc.	287,133.00	Energy Efficiency & Distributed Generation	Lawrence
Cassleman Windpower, LLC	500,000.00	Wind	Somerset
Slippery Rock University	27,500.00	Wind	Butler
Harrisburg Authority	360,295.00	Wind	Dauphin
Southwest Windpower	193,000.00	Wind	Multiple
Carnegie Mellon University	167,115.00	Energy Efficiency & Distributed Generation	Allegheny
AFC First Financial Corporation	500,000.00	Energy Efficiency & Distributed Generation	Multiple
PPL Energy Services Holding, LLC	250,000.00	Biomass	Berks
Mon Valley Power	361,829.00	Biomass	Allegheny
Phipps Conservatory And Botanical Gardens	150,000.00	Fuel Cell	Allegheny
PFBC Environmental Energy Technology	640,285.00	Waste Coal	Allegheny
Breen Energy Solutions	299,400.00	Waste Coal	Allegheny
Siemens Medical Solutions	415,000.00	Solar	Chester
Citizens for PA's Future	348,000.00	Solar	Lancaster

<sup>2</sup> Plextronics received \$750,000.00 of its funding in the form of a loan and \$250,000.00 in the form of a grant.

**Appendix A**

<b>Recipient</b>	<b>Amount</b>	<b>Type of Project</b>	<b>Location</b>
Solar Strategies Development Corp.	130,457.00	Solar	Philadelphia
Enviro Biodiesel, Inc.	340,160.00	Biofuel	Venango
Franklin Fuel Cells	408,737.00	Fuel Cell	Chester
Pennsylvania State University	138,888.00	Solar	Centre
University of Pittsburgh	70,847.00	Waste Coal	Allegheny

**Appendix B**

**ENERGY DEVELOPMENT FUND  
STATEMENT OF REVENUES AND EXPENDITURES  
JUNE 30, 2006**

FUND BALANCE JULY 1, 2005.....	\$11,838,048.00
REVENUES	
Interest on Securities .....	\$603,875.27
Application Fees.....	\$4,500.00
Miscellaneous Revenue.....	\$41,758.06
TOTAL REVENUES .....	650,133.33
PRIOR YEAR LAPSE .....	\$125,000.00
TOTAL AVAILABLE .....	\$12,613,181.33
EXPENDITURES	
Grants .....	\$8,250,000.00
Operating Expenses.....	\$1,762.91
Loans.....	\$1,750,000.00 <sup>3</sup>
TOTAL EXPENDITURES .....	\$10,001,762.91
FUND BALANCE JUNE 30, 2006.....	\$2,611,418.42

<sup>3</sup> All loans are subject to up to 10-year terms and an interest rate equal to 50% of prime, but no less than 3.25%.

**Appendix C**

**GROWING GREENER II<sup>4</sup>  
STATEMENT OF REVENUES AND EXPENDITURES  
JUNE 30, 2006**

BALANCE JULY 1, 2005.....	\$0
REVENUE .....	\$10,000,000 <sup>5</sup>
TOTAL REVENUES .....	\$10,000,000
TOTAL AVAILABLE .....	\$5,000,000
COMMITMENTS (C).....	\$4,676,438
EXPENDITURES (E) .....	\$323,562
TOTAL C & E.....	\$5,000,000
BALANCE JUNE 30, 2006.....	\$5,000,000

<sup>4</sup> Act of July 13, 2005, P.L. 213, No. 45, amending the Environmental Stewardship and Watershed Protection Act, 27 Pa. C.S. § 6101 *et seq.*

<sup>5</sup> Proceeds of Commonwealth general obligation bonds, issued June 8, 2006.



## Appendix D

### OUTSTANDING BONDS<sup>6</sup>

Project	Bond Issue	Principal Outstanding	Maturity Date
Piney Creek	Energy Development Revenue Bonds - 1986 Series A	\$18,440,000.00	12/1/2011
Piney Creek	Energy Development Revenue Bonds - 1986 Series C	\$5,855,000.00	12/1/2011
Babcock & Wilcox Ebensburg	Adjustable/Fixed Rate Energy Development Revenue Bonds - 1986 Series	\$32,850,000.00	12/1/2011
Babcock & Wilcox Ebensburg	Adjustable/Fixed Rate Energy Development Revenue Bonds - 1988 Series	\$4,400,000.00	12/1/2011
<b>Total Outstanding Bonds</b>		<b>\$61,545,000.00<sup>7</sup></b>	

<sup>6</sup> Source: JP Morgan Audit Confirmation, dated May 30, 2006.

<sup>7</sup> The outstanding indebtedness will appear in Note K (concerning public debt) of the Commonwealth's Comprehensive Annual Financial Report.