

**MINUTES OF MEETING**

**BOARD OF DIRECTORS**

**PENNSYLVANIA ENERGY DEVELOPMENT AUTHORITY**

January 11, 2006

Board members present:

Sec. Kathleen A. McGinty, Chairman  
Rep. Gibson Armstrong, Secretary  
Ray Bologna  
Virginia Brown  
Dave Callen, designee for Rep. Peter J. Daley, II  
Ty Christy, Treasurer  
Romulo Diaz (via telephone)  
Steve Drizos for Dennis Yablonsky  
Joseph Dworetzky (via telephone)  
Tanya McCloskey  
A. William Schenk, III  
Frank Sparrow, designee for Wendell F. Holland  
John Wozniak

DEP Staff:

Karen Bassett  
Eugene Depasquale  
Daniel J. Desmond  
Libby Dodson  
Jeanne J. Dworetzky Esq., Executive Director  
Lawrence L. Middleton  
Joseph R. Powers  
William W. Shakley, Esq.  
Eric Thuma  
Charlie Young

**Public**

Don Bradley  
Wayne Gardner  
Gary Merritt  
Richard Rosey  
Sam Enfield  
Lou Budike  
William Heavner

Dan Lispi  
Neil Peters  
Jay Layman  
Bob Schrecengost  
Lazar Palnick  
Richard Pearson  
Mile Lordi

Steve Adams  
Bill Gregory  
Robert Bennett  
Rob Sanders  
Sandy Williams  
Keith Welks  
Lou Colon  
Ed Nielsen  
Craig Grimes  
Peter A. Vessella  
Doug Farnham  
Kathy Shoup  
Donna Johnston  
Rich Rossi  
Herb Carlson

Phil Wirdzek  
Peter Krajsa  
Tim O'Brein  
Eugene Moffatt  
Kathryn Moffatt  
Kevin Matthews  
Kimberly Joyce  
Dennis Troy  
Tom Toffey  
Jim Brett  
Greg Wiclker  
Shaun Good  
Shiao Hung Chiang  
Ed Gorman  
Jennifer Jacobson

### **Call to order and Welcome of New Members**

The Secretary called the meeting to order at 10:00 am.

The Secretary began the meeting by stating that the discussion will involve two streams of funding for the projects. The first stream is 3.5 million of the initial 10 million dollars from the transfer from the Alternative Fuels Incentive Grant (AFIG) fund. This funding must be used for projects related to electric power and can be used for research, deployment, loans and guarantees. The second funding stream comes from Growing Greener II, must be used for capital projects and may be applied used for electric power related projects or for alternative fuels for transportation.

The Secretary announced that board member Jim Seif has resigned to pursue other interests.

All of the attendees were welcomed and asked to briefly introduce themselves. In addition to the PEDAs Board Members and DEP staff, the meeting was attended by 50 individuals representing projects or from the general public.

### **Meeting minutes from the October 4 2005 meeting**

The board considered the draft minutes from its October 4, 2005 meeting, which had been circulated to them previously by the Executive Director, Jeanne Dworetzky. No comments were offered on the draft. A motion to approve the minutes was made and seconded and carried unanimously.

### **Report on Audits**

Secretary McGinty noted that the board had raised a question about the frequency of audits, and that that question has been discussed with the Auditor General's Office.

Ms. Dworetzky reviewed the PEDA statute's requirement for audits of the books and accounts of the Authority every two years. Some of the board members had suggested that annual audits would be desirable, in part due to Sarbanes-Oxley-type concerns. Ms. Dworetzky noted that she and Mr. Shakely had met with the Auditor General's Office, and that the Deputy Auditor General had explained that even if the audits take place only every two years, the audit examines both intervening years. She pointed out further that there is a fairly expensive hourly charge for the time of each auditor. The Deputy Auditor General felt comfortable performing the audits every two years and encouraged saving money on audit expenses. Ms. Dworetzky indicated the need to use administrative funds judiciously, stating that PEDA has only \$255,000 in administrative funding and is unlikely to receive additional administrative funding in the near future.

Mr. Heavner indicated that he would make every effort to keep audit costs down. PEDA, the Auditor General's staff and the DEP Comptroller will meet in March or April 2006 to establish standards for the audits and to review financial statements. He would like to begin the audit in June 2006 and hopes to have the results in August 2006.

Joseph Dworetzky asked whether, if the audits were done every two years, would one be done for the first year, then biennially? If not, what controls were in place to catch any problems. Mr. Heavner responded that both years will be included and that because they will look at both years any issues will be addressed. Ms. Dworetzky noted that although the audit will include 2004, no funds were used in that year.

The Secretary stated that the two-year audit schedule will be retained, however, the bylaws need to be reviewed to determine whether a change to the audit provisions is needed. Mr. Heavner requested a contact for the audits. The Secretary identified Ms. Dworetzky as the contact.

Dave Callen inquired about the extensiveness of the audits. Mr. Heavner responded that they would not audit the grant recipients. They will audit the program to check receipts to make sure funds are properly spent, and they will audit the procedures used. Ms. Dworetzky stated that the Comptroller would check the spending by the projects. The Secretary informed the Board that a report of project expenditures would be given at each board meeting. Because it was not determined whether this issue required a motion, the board will revisit the subject and make any necessary motion at its April 2006 meeting.

#### **Status Report on first Round Projects**

Ms. Dworetzky reviewed the status of the first round projects. She noted that four projects were worthy of discussion, of which three required amendments:

Bear Creek – This utility scale wind project received a PEDA loan of \$1 million. Ms. Dworetzky reported that the loan had closed on January 5. The project had experienced some delays in December, but is progressing well now. The project reports 90% completion.

C/G Electrodes – The original project was to install a heat recovery system using two organic rankine turbines manufactured by UTC Power. However, this fall, UTC was forced to pull its product from the market due to design problems. C/G presented PEDDA with several options. The option C/G eventually chose will provide it with a larger project than initially proposed. C/G will use an Elliott Company turbine in place of the UTC product and will increase their projected output from 370 kW to 2000 kW. This change does not affect the PEDDA grant amount, but will provide more benefits to the company than the original project. PEDDA and C/G are preparing an amendment to the grant agreement to memorialize this change.

Advanced Energy Partners –Advanced Energy will use a number of Verizon buildings in its demand management pilot project. Once it began working closely on the sites, Advanced Energy determined that one of the sites would not provide sufficient data to be useful to the project. Therefore, Advanced Energy is altering its scope of work to substitute one new site. The project remains on schedule and PEDDA is preparing an amendment to its grant agreement accordingly.

Energy Coordinating Agency – This project has been working with the Philadelphia and Pittsburgh Housing Authorities to construct energy efficient affordable housing. There have been some delays on the part of the Housing Authorities, but the project is now moving forward. The scope of work has been modified to reduce the number of houses in the project from 114 to 85 because it has been determined the more work is needed for each house than was anticipated. An amended grant agreement is being prepared.

Ms. Dworetzky then reviewed the status of PEDDA funds:

\$1 million loan approved  
\$471,283 paid to grantees  
\$433,348 in the payment process

\$4.6 million remaining in the Energy Development Fund

### **Consideration of Proposed Projects**

Secretary McGinty stated that the Governors Budget Office believes the Growing Greener II funds should be retained in the fund designated for state bond proceeds rather than deposited in the Energy Development Fund with other PEDDA funds. That suggestion was made because the fund containing the state bond funds is invested very conservatively in order to avoid any risk to principle.

The round of financing before the board consists of \$8.5 million dollars, which is comprised of \$3.5 million from legislative appropriations and \$5million from the first traunch of Growing Greener II bond funding.

Ms. Dworetzky provided an overview of the proposed projects. PEDA received fifty-six applications representing 54 projects seeking \$42 million in assistance and leveraging \$251 million. Several proposed projects submitted loan applications; however, because of IRS restrictions on the use of the Growing Greener II funds, only one loan was eligible for consideration. An additional even backlog projects were also recommended. Therefore, the total amount requested was \$44 million, leveraging \$282 million.

Staff recommended 25 of those projects comprised of 1 loan and 24 grants, totaling \$8.5 million, for board approval. Recommended projects included; 1 biodiesel, 2 biomass, 6 energy efficiency or reuse, 2 fuel cell, 1 low impact hydro, 6 solar/PV, 3 waste coal, 4 wind.

Jeanne Dworetzky and Eric Thumma described each of the 25 recommended projects. Benefits of the recommended projects included an annual 3.5 million megawatt hours of energy generation, 526,755 MWh energy conserved, SO<sub>2</sub> reductions of 243,800 tons, CO<sub>2</sub> reductions of 31,637,547 tons, NO<sub>x</sub> reductions of 69,959 tons and mercury reductions of 43.87 lbs.

To simplify the review and voting process the projects were separated into three groups:

Group 1 Projects:

Allegheny Clarion Valley Development Corp. Enviro Biodiesel	\$340,160
PPL Energy Services Holding, LLC United Corrstack	\$250,000
Redevelopment Authority of Allegheny County Mon Valley Power	\$361,829
Lawrence County Economic Development Corp. APUs for Idling Trucks	\$287,133
Elliot Company Large Scale Magnet Motors	\$458,026
Powerweb PALM Initiative	\$400,000
American Refining Group Gen. Proj. Using Refining Waste Gas	\$284,328
Carnegie Mellon Biodiesel Based Building – BCHP	\$167,115

AFC First Financial Corp  
Keystone HELP \$500,000

Phipps Conservatory and Botanical Gardens \$150,000

After a discussion, Dave Callen made a motion to approve the ten grant applications. The motion was seconded by Secretary Schenck and unanimously carried. Two abstentions were noted: Ty Christy (Allegheny Clarion Valley); Frank Sparrow (PPL-United Corrstack and American Refining Group)

Group 2 Projects:

Franklin Fuel Cells \$408,737

Cambria Somerset Authority-  
Quemahoning Low Impact Micro Hydro \$269,000

Pennsylvania State University-  
Dev. Of High Efficiency Low Cost Bulk Junction Solar Cell \$138,888

Plextronix, Inc.-  
Facility Dev. For Prototypes of Next Generation Solar Cells \$1,000,000

Solar Power Industries-  
Expansion of Wafering Operations For SPI \$500,000

Citizens for Pennsylvania's Future  
Turkey Hill – Solar Energy Enterprise Dev. Model \$348,000

Siemens Medical Solutions Health Services-  
Siemens PV Evaluation Project \$415,000

Solar Strategies Dev. Corp-  
Introducing Zero Energy Homes to Philadelphia \$130,457

University of Pittsburgh-  
Recovery and Benefaction of Waste Coal \$70,847

PFBC Environmental Energy Tech., Inc. -  
PFBC Fuel Impact Model, Phase I \$640,285

After a discussion, Sen. Wozniak made a motion to approve the ten grant applications. The motion was seconded by Romy Diaz and unanimously approved. Abstentions were noted: Gibson Armstrong (Citizens for Pennsylvania's Future - Turkey Hill); Virginia

Brown (Citizens for Pennsylvania's Future - Turkey Hill); Frank Sparrow (Siemens PV Evaluation Project)

Group 3 Projects:

Breen Energy Solutions – In-Situ Gasification and NOx Reburn Using Coal Slurry	\$299,400
Casselman Windpower, LLC- Casselman Windpower Project	\$500,000
The Harrisburg Authority- Harrisburg Wind Energy Project	\$360,295
Slippery Rock University- Slippery Rock Wind Turbine	\$27,500
Southwest Windpower Community Renewable Energy Outreach Project	\$193,000

In conjunction with the Breen/Del Monte project, Ty Christy recommended that the board's approval of the award be contingent upon written confirmation of Del Monte's final approval of the project.

After a discussion, Secretary Schenck made a motion to approve the ten grant applications in light of the discussion. The motion was seconded by Virginia Brown and unanimously approved by the board. One abstention was noted: Frank Sparrow (Casselman Windpower Project).

### **Administrative Matters**

Secretary McGinty introduced Lawrence Middleton, PEDA Program Manager, to the board for consideration as the Assistant Secretary. Steve Drizos made a motion to approve Mr. Middleton; Gibson Armstrong seconded the motion. The motion was unanimously carried.

Secretary McGinty noted that the Audit Committee is still in need of members. Interested board members should contact Ms. Dworetzky.

### **Next Steps for PEDA**

Secretary McGinty noted that the next meeting will be scheduled for April 2006. Items to be discussed will include:

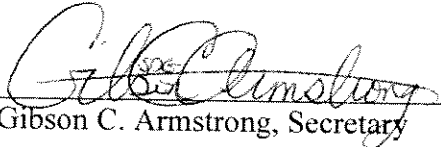
1. Review project status.

2. Review of the bylaws to determine whether any change is needed to the audit provisions, and a determination of whether a board motion will be required to conduct biennial audits.
3. Determination by PEDDA's counsel as to whether Projects can limit or give first preference to Pennsylvania companies for services and equipment.
4. Determination by PEDDA's counsel as to whether renewable energy credits can be sold for certain types of projects to generate a funding stream
5. Review of the first draft of PEDDA's Energy Investment Strategy.

**Public Comment**

No public comment was offered.

The meeting adjourned at 12:25 pm.

  
Gibson C. Armstrong, Secretary

25 APR 06  
Date