

MINUTES OF MEETING

BOARD OF DIRECTORS

PENNSYLVANIA ENERGY DEVELOPMENT AUTHORITY

March 7, 2007

Board members present:

Rebecca Bagley, designee for Secretary Dennis Yablonsky
Ray Bologna
Virginia Brown
Dave Callen, designee for Rep. Peter Daley
Ty Christy, Acting Chair
Daniel J. Desmond, designee for Secretary Kathleen McGinty
Romulo Diaz (via telephone)
Joseph Dworetzky
Sen. Edwin Erickson
Jason Gerard, designee for Senator John Wozniak
Jonathan Longwill, designee for Rep. Reed (second half of the meeting)
Tanya McCloskey
Michael Pechart, designee for Secretary Dennis Wolff
Rep. Dave Reed (first half of the meeting)
Frank Sparrow, designee for PUC Chairman Wendell F. Holland (via telephone)
Paul Wentzel, designee for Acting Secretary Victoria Reider

DEP staff:

Patrick Bair, Esq.
Kerry Campbell
Jeanne J. Dworetzky, Esq., Executive Director
Karl Lasher
Amanda Richards
William Shakely, Esq.

Public:

Patrick O'Neill
John Easoz
John Hanger
Stan Geary
Teresa Copenhaver
Zach Anahannan
Tim O'Brien

Call to order and welcome of new members

Secretary McGinty had designated Ty Christy to serve as Acting Chairman of the meeting in her absence. Mr. Christy's arrival was delayed by the weather; he called the meeting to order at 10:10 am by telephone, and arrived at 10:30. The agenda was re-ordered to accommodate late arrivals due to weather conditions. Dan Desmond welcomed new board members Senator Erickson and Representative Reed.

Pennsylvania Energy Development Plan

Executive Director, Jeanne Dworetzky discussed the Pennsylvania Energy Development Plan, which had been distributed previously to the Board (April 2006 draft).

The Plan contains six policy objectives:

- Promotion of energy security and diversity
- Promotion of cleaner, environmentally beneficial energy generation
- Economic growth in the clean energy sector
- Technical innovation and commercialization
- Promotion of energy efficiency and energy conservation
- Promotion of greater public awareness and support

The Plan also includes four operational guiding principles:

- Flexibility – to allow response to changing markets
- Transparency
- Maximization of capital
- Sound financial decision-making

Ms. Dworetzky explained that the Plan had been out for public comment and that a document describing the comments and responses would be distributed to the board. She invited the new board members to comment on the Plan.

Governor's Energy Independence Strategy

Dan Desmond presented a PowerPoint presentation describing the Governor's Energy Independence Strategy (EIS), which was announced in early February. The EIS proposal includes a significant role for PEDDA.

The four key pieces of the strategy are contained in legislation that had been circulated to the Board. The four pieces include:

1. Amendments to the PEDDA enabling legislation
2. Amendments to the Alternative Energy Portfolio Standards Act
3. The PennSecurity fuels initiative – A mandate requiring the inclusion of a percentage of biofuels in every gallon of diesel and gasoline sold in Pennsylvania. The mandate will progressively increase as the PA production capacity ramps up.
4. Amendments to the PUC Code providing conservation measures, among other things. The amendments would include a systems benefit charge of \$0.0005 per kWh. This charge would result in the collection of about \$70 million per year, which would be used to securitize a bond issuance of \$850 million for clean energy programs. Rebecca Bagley described some of the programs proposed to be funded by this charge in more detail.

Election of Officers

Ty Christy opened the floor for the nomination of officers. Ray Bologna nominated Ty Christy to serve as Board Treasurer, and Joe Dworetzky seconded the nomination. All Board members present voted in favor and Mr. Christy was duly elected. Joe Dworetzky nominated Senator Erickson to serve as Board Secretary, and Dave Callen seconded the nomination. All voted in favor and Senator Erickson was duly elected.

Meeting minutes review from the October 5, 2006, meeting

The board considered the draft minutes from its October 5, 2006 meeting, which had been circulated to them previously by the Executive Director, Jeanne Dworetzky. No comments were offered on the draft. Paul Wentzel made a motion to approve the minutes and Virginia Brown seconded the motion, which was carried unanimously.

Review and approval of guidelines for the next solicitation

Ms. Dworetzky reviewed the guidelines for the next PEDDA solicitation, which will open early April and close June 15, concurrent with the DEP's Energy Harvest program. Romulo Diaz asked whether this was sufficient time for applicants to apply. Jeanne Dworetzky explained that it would be open roughly the same amount of time as the last solicitation, in which PEDDA received applications seeking 10 times the available funding. She also noted that the DEP would be doing some outreach to get the word out about the solicitation and asked that the board members do the same. She noted that the guidelines contained only a few changes from the previous solicitation because the funding source (Growing Greener II) was unchanged. She noted that changes from the previous round included a reference to the Commonwealth's Keystone Principles, which is guidance for

making sound land use decisions; the removal of priority categories of project types; and the authority for PEDDA to advance some funds for projects involving distributed generation for critical public infrastructure. This solicitation will be for \$10 million. Dave Callen moved that the guidelines be approved, and Mike Pechart seconded the motion, which was carried unanimously.

Update on funds and projects

The Executive Director handed out an update on existing projects. Twenty-six have been completed. Dave Callen asked how many of these projects were loans. Jeanne Dworetzky responded that only two loans, totaling \$1.75 million were included, since the most recent two solicitations were funded through Growing Greener II, prohibited from use as loans by IRS regulations. Joe Dworetzky and Dave Callen requested executive summaries of the completed projects as well as an assessment of their success or failure. Ty Christy concurred. Ms. Dworetzky agreed to provide that more detailed information next time.

John Hanger described the outcome of the Duquesne Light Company settlement, in which \$1.5 million for each of 4 years would be provided to PEDDA for energy efficiency and renewable energy projects. Seventy-five percent of the money must be spent for projects in the Duquesne Service Territory. The remaining 25% can be spent for projects outside the service territory, as long as it benefits Duquesne customers. Dan Desmond asked whether the funds could be spent for research, rather than capital projects only. John Hanger explained that the funds could not be used for academic research, and should have a direct immediate benefit to the service territory.

Presentations from Completed Projects

Due to the weather, representatives of PFBC Environmental Energy Technology, Inc. were unable to attend the meeting, so its presentation was removed from the agenda.

John Easoz from Solar Power Industries (SPI) presented the results from SPI's PEDDA grants. Mr. Easoz described positive outcomes that can be credited, in part to the PEDDA grants. The grants were for exploring the use of non-conventional sources of silicon, to compensate for the shortage of PV-grade silicon and for the expansion of SPI's wafering operations. The grants have allowed SPI to develop intellectual property; helped the business survive (80% of its silicon now comes from non-traditional sources); grow employment (SPI has gone from 77 employees before the first PEDDA grant to 118 today); and have allowed for future business growth. SPI now has new customers, new buildings, and new products.

Dave Callen noted that this is exactly the type of result that PEDDA would like to see.

Next Steps

The Executive Director explained that the next Board meeting would likely be held in September to select projects, unless pressing issues from the Governor's Energy Independence Strategy or otherwise were to arise earlier.

Public Comment

Stan Geary of the PA Coal Association asked how the Administration had determined that the Energy Independence Strategy could save \$1 billion per year, as stated. The Executive Director responded that she would be happy to provide Mr. Geary with details.

Tim O'Brien of Plextronics asked whether the Duquesne settlement money would be included in this round of PEDAs, and whether it would be used for grants. Tanya McCloskey explained that the PUC has not yet approved the settlement, and that it is unclear when the money will be available. Use of the funds is at the discretion of the PEDAs Board and can be used for grants or loans.

The meeting adjourned at 11:50 am.

Secretary

Date