

MINUTES OF MEETING

BOARD OF DIRECTORS

PENNSYLVANIA ENERGY DEVELOPMENT AUTHORITY

OCTOBER 4, 2005

Board members present:

Sec. Kathleen A. McGinty, Chairman
Rep. Gibson C. Armstrong, Secretary
Ty Christy, Treasurer
Ray Bologna
Virginia L. Brown (via telephone)
Dave Callen
Dep. Sec. Cheryl L. Cook, designee for Sec. Dennis C. Wolff
Rep. Peter J. Daley, II
Steve Drizos
Joseph A. Dworetzky, Esq.
Tanya McCloskey, designee for Irwin A. Popowsky
Sec. A. William Schenk, III
Frank E. Sparrow, designee for Chairman Wendell F. Holland
Sec. Dennis Yablonsky
Sen. John N. Wozniak

DEP and DCED staff:

Patrick H. Bair, Esq.
David W. Barnes
Karen Bassett
Daniel J. Desmond
Jeanne J. Dworetzky, Esq., Executive Director
Joseph R. Powers
William W. Shakely, Esq.
Eric A. Thumma

Public:

Kimberly A. Joyce, Esq.
Tim Hartman
Gary Merritt

James Seif, Esq.

Secretary Kathleen McGinty called the meeting of the Board of Directors of the Pennsylvania Energy Development Authority (PEDA) to order at 10:00 AM.

Consideration of Minutes of June 23, 3005 Board Meeting

The Board considered the draft minutes of the June 23, 2005 Board meeting which had previously been circulated to the members. No comments were offered on the draft minutes. A motion to approve the minutes was made by Ms Cheryl Cook, seconded by Secretary Yablonsky.

Approval of 2004-2005 Annual Report

Secretary McGinty provided the Board with a brief overview of the 2004-2005 Annual Report and called for questions regarding the report. Representative Daley asked a question about a listing in Appendix "A" of the report. Ms Jeanne Dworetzky recognized that the listing was in error and agreed to have it corrected.

Ms Dworetzky then asked for a report from the Treasurer. Mr. Ty Christy gave a brief report, noting that PEDA had not yet disbursed any money. He reviewed the Authority's fund balance, noting that the current amount available for disbursement is \$10,139,000. He commented that the funds are un-audited, adding that the Auditor General's office had responded to a request for audit by stating that without any expenditures, there was essentially nothing to audit.

With that, Secretary McGinty called for questions or comments and, hearing none, requested a motion to approve the report. Secretary William Schenk moved that the Annual Report be accepted and Ms Cook seconded.

Secretary McGinty then asked Ms Dworetzky to report on the request made by some Board members for additional audits of the PEDA accounts. Ms Dworetzky reported that she had contacted the Auditor General's office about auditing annually even though the statute calls for biennial audits. After reporting that the Authority would be required to pay for audits, she said that the Auditor General had not yet given her a final answer on the request and promised a detailed report after an answer is received.

Report on First-Round Projects

Ms Dworetzky gave a report on the status of the projects that had been approved. At an earlier meeting, the Board approved seventeen projects: sixteen grants and one loan. The loan is being processed by DCED and is expected to close before the end of 2005. The

project for which the loan was granted—Community Energy, Incorporated’s Bear Creek Wind Project—is also on schedule. Seven of the grants are fully executed and five are at the Comptroller’s Office awaiting signature. Three of the grants are proceeding more slowly because of the need for additional information from the applicants, but PEDDA still expects those projects to be completed before the end of the fiscal year. The remaining grantee—Pristine Resources, Inc.—has withdrawn its \$3.5 million grant application due to timing issues associated with the project. Senator Wozniak thanked everyone involved in the Pristine Resources project for their work on the project and expressed his disappointment that the project was not yet in a position to proceed. Senator Wozniak also expressed frustration with delays to the project caused by a lawsuit filed by an environmental group.

Secretary McGinty stated that there is still a possibility that the Pristine project will proceed, and added that she has received assurances that the component of the project involving the reopening of coal mines closed as a result of the financial demise of Bethlehem Steel Company would be going forward.

Secretary McGinty then reminded the Board that the money approved for the Pristine Resources proposal and now returned was part of the initial PEDDA allotment that must be invested by June 30, 2006, and that the \$3.5 million must now be reallocated before that deadline. She asked the Board to approve a new solicitation for the \$3.5 million with a date of November 11, 2005 for applications to allow consideration by the Board at its next meeting. Senator Wozniak asked how the solicitation is publicized. Secretary McGinty and Mr. Eric Thumma responded that the solicitation is published in the Pennsylvania Bulletin, as well as being distributed to manufacturers, conservation districts, and a database of over 1000 persons, groups and organizations involved in energy- and environmental-related projects in Pennsylvania. Secretary McGinty added that she is open to any suggestions about how the solicitations can be even more widely distributed, recognizing the role that the Department of Agriculture has played in distributing information regarding bio-fuels to the Pennsylvania farming community. In response to a question from Representative Daley, she confirmed that the notice of solicitation is also sent to all prior applicants.

Representative Daley moved to approve the additional solicitation, and Secretary Yablonsky seconded. Parenthetically, Secretary McGinty noted that the money, as part of the original allotment, was for electricity projects, as opposed to liquid fuel projects; and that the preference is for loan applications, not grants, so the money can be provided up front and thus be expended prior to the deadline of June 30. Representative Daley inquired about loan forgiveness, and Secretary McGinty responded that PEDDA does have the ability to forgive loans.

The \$3.5 million dollar solicitation was approved unanimously by the Board.

Report on Second Round of PEDA Financing

Secretary McGinty apprised the Board of the new sources of funding on hand and anticipated for PEDA projects, specifically Growing Greener II and a settlement reached in a matter involving Exelon Corporation. (An excerpt of the settlement agreement had been provided to the Board in advance.)

Mr. William Shakely reported on House Bill 3 ("Growing Greener II"), passed in July, which earmarks up to \$10 million annually for a period of five years for PEDA advanced energy projects. Mr. Shakely informed the Board that \$5 million of this money is expected to be available to PEDA this year. He explained that, because this money is funded with tax-exempt bonds, there are some limitations on its use, such as a restriction on the money for capital improvement projects.

Mr. Shakely went on to discuss the new funding from the settlement involving the merger of Exelon Corporation and the Public Service Enterprise Group Incorporated. He cautioned that the settlement was not yet final since it is pending formal approval by the Public Utility Commission, which is contingent on the merger actually occurring. The settlement will affect PEDA in two ways. First, the Pennsylvania Energy Company (PECO) has agreed to contribute \$12 million to PEDA over four years beginning in 2007. The PECO money is to be used to fund projects for renewable energy, energy efficiency and energy conservation, with emphasis on projects that benefit the PECO service area. Of the \$12 million, \$500,000 is to be set aside for Low-Income Usage Reduction Projects (LIURP) in the PECO service area, including the "cool roofs" program, subject to PEDA approval. Second, PECO has agreed to contribute an additional \$8 million over four years beginning in 2007 to be used for energy-related economic development projects of benefit to the PECO service area.

Secretary McGinty thanked Mr. Shakely for his report, adding that DEP is working with the Governor's office to ensure that PEDA's use of Growing Greener II funds is consistent with rules of the Internal Revenue Service and prior Growing Greener operations. In addition, she imparted that the Department of Environmental Protection had received authorization to spend \$625 million in Growing Greener moneys and, of that, up to \$10 million per year may be invested through PEDA.

Mr. Joseph Dworetzky inquired if the Exelon settlement involved all of the parties to the action, to which Mr. Shakely responded that there are some parties still in litigation. Mr. Dworetzky asked if the PEDA Board was required to approve the settlement, and Mr. Shakely answered that it does not. Mr. Dworetzky then asked for more detail about the \$500,000 that was set aside in the settlement for LIURP. Secretary McGinty explained that LIURP is a program aimed at reducing utility bills for low-income people, and that the money from the settlement is intended to be directed at the "cool roofs" program.

which is designed to reduce the amount of sunlight, and thus heat absorbed by building rooftops. In response to a follow-up question from Mr. Dworetzky, she added that this program is administered by the Energy Coordinating Agency of Philadelphia.

Mr. Frank Sparrow asked whether any of the new money is subject to a deadline for its expenditure, similar to the money allotted originally for PEDA's use. Mr. Shakely answered that the money is "carry over" money that has no similar deadline. Ms Karen Bassett contributed that, although there is no similar deadline for the Growing Greener II money, IRS rules require that 85% of the bond money be spent within three years of issuance.

With respect to the money set aside from the Exelon settlement for LIURP, Secretary McGinty also pointed out that the settlement document requires that money be used to fund projects "*in* PECO's service territory," while the remainder of the \$12 million is to be used on projects "*of benefit to* the PECO service territory."

Secretary McGinty then addressed the potential \$5 million PEDA solicitation pursuant to Growing Greener II. She noted that a draft of a potential solicitation had been provided to the Board members for review, adding that a special telephonic session of the Board could be necessary to approve a solicitation if PEDA is informed by the Governor's Office that the money is to be expended promptly as part of the first Growing Greener II bond floated. This would likely involve projects already submitted and on file. Secretary Yablonsky inquired whether it is the intention not to solicit applications until the Growing Greener bond is approved, which Secretary McGinty confirmed, adding that the intention is also for the Board to be capable of moving quickly when the bond is approved. Finally, she pointed out that the draft solicitation does not allow for loan guarantees, pending a determination by the Office of General Counsel whether tax free bonds can be used for loan guarantees.

Secretary McGinty advised the Board members of DEP's interest in solar energy manufacturers. Mr. Thumma described the market, both present and future, for solar manufacturing, which was presented as having great potential for expansion. Secretary McGinty agreed that there is an enormous opportunity for economic and job growth, given that the requirement for the use of solar power in Pennsylvania must expand substantially by 2010. Mr. Thumma described how, though the cost/benefits for solar are high today, it is hoped that solar power will become more economical through greater efficiencies, economies of scale and technological advancements.

Mr. Dworetzky inquired about the experience of other countries involved in solar power, and Mr. Thumma responded that relative costs are difficult to determine because of foreign government subsidies for solar power and the comparatively high costs of electricity in those countries. Secretary McGinty said that the challenge is to make

Pennsylvania attractive to solar panel manufacturers by building up existing manufacturers, e.g., Solar Power Industries, Inc., and drawing in new ones. She also named Plextronics as a Pennsylvania company that is not yet ready to begin production of solar energy devices, but that is developing technology that could lower the costs associated with the production of solar energy. Secretary McGinty finished by reminding the Board of the solar power initiatives that PEDDA has already contributed to, and stating the goal as getting solar power collection to the point where a product can be bought off-the-shelf by homeowners.

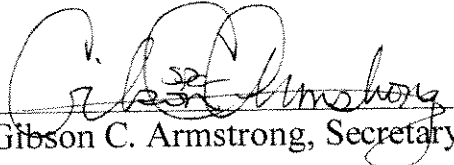
Creation of New Committees

Secretary McGinty stated that she is recommending that the Board members form three committees: a technical committee, a financial committee and an audit committee. Information about these committees would be forthcoming to the Board members via e-mail, as well as a request for members to serve on those committees. She specifically alluded to the role of the financial committee being to create an investment strategy for the new money that is or will become available to PEDDA.

Public Comment

No public comment was received.

The meeting was adjourned at 11:10 AM.


Gibson C. Armstrong, Secretary

5 OCT 06
Date