

MINUTES OF MEETING
BOARD OF DIRECTORS
PENNSLVANIA ENERGY DEVELOPMENT AUTHORITY

August 04, 2020
2:00 p.m. – 3:30 p.m.
Via WebEx

Board Members/Alternates Present

Hon. Patrick McDonnell, Chairman
Alt. Denise Brinley (for Hon. Dennis M. Davin)
Alt. Cheryl Cook (for Hon. Russell C. Redding)
Alt. Timothy Collins (for Hon. Steve Santarsiero)
Alt. Paul Wentzel (for Hon. Richard Vague)
Alt. Nick Troutman (for Hon. Gene Yaw)
Hon. John Coleman
Tanya McCloskey
Michael Welsh
Romulo L. Diaz, Jr.
Sarah Hetznecker
Bernie Lynch
Virginia Brown

DEP Staff

David Althoff, Jr., PEDA Staff, EPO
Libby Dodson, PEDA Staff, EPO
Kerry Campbell, EPO
Allen Landis, Policy Office
Darek Jagiela, Communications
Jennie Demjanick, Office of Chief Counsel

Public Attendees

Keith Welks, Pennsylvania Treasury
Travis Gery, K&L Gates
Joel Epstein, PureGen Development
Madison Stromswold, Greenlee Partners

CALL TO ORDER AND APPROVAL OF MINUTES

The meeting was called to order at 2:01 p.m. by Chairperson Patrick McDonnell, Secretary of Department of Environmental Protection. David Althoff conducted roll call at the beginning of the meeting and a quorum established. The Board considered its first item of business – the September 18, 2019, PEDA Board meeting minutes.

Virginia Brown moved to adopt the September 18, 2019 meeting minutes.
Romulo Diaz seconded the motion, which was unanimously approved by the Board.

FINANCIAL REPORT

David Althoff provided a review of the financial status of the three funds from which PEDDA utilized funding since the last board meeting.

Duquesne Light Settlement Funds: All funds have been utilized.

Growing Greener (GG): has an available balance of \$1,715, 770.

Proposed GG Spend Plan SFY 2020 Grants: \$1,715,770

Final GG Balance: \$0

Energy Development Fund (PEDA): has an available balance of \$2,975,994. Currently there are \$499,913 in commitments.

Proposed EDF Spend Plan SFY 2020:

- Revenue: \$90,000
- Admin/Op.: (\$131,000)
- Grants: (\$2,800,000)

Final Balance: \$134,994

Romulo Diaz motioned to accept the financial report.

Paul Wentzel seconded the motion, which was unanimously approved by the Board.

ELECTION OF OFFICERS TO THE BOARD

Secretary

Denise Brinley alternate for Secretary Dennis Davin informed the PEDDA Chairman Secretary Dennis Davin was interested in continuing on as Secretary of PEDDA;

Bernie Lynch moved to nominate Secretary Denis Davin as Secretary.

Nick Troutman seconded the motion, which was unanimously approved by the Board.

Treasurer

Romulo Diaz informed the PEDDA Chairman that he is interested in continuing as Treasurer of PEDDA.

Virginia Brown moved to nominate Romulo Diaz as Treasurer.

Paul Wentzel seconded the motion, which was unanimously approved by the Board.

PEDA Executive Director

Chairman McDonnell reported at the last meeting Dave Althoff was nominated and approved to serve as the Acting PEDDA Executive Director until such time that DEP chooses to hire a person with the specific position description inclusive of the PEDDA Executive Director duties. DEP is in the process of gaining approvals to hire a person with position duties inclusive of being the PEDDA Executive Director. A job posting has not been advertised of yet. The Board will be updated as DEP moves further along in the process.

PUBLIC COMMENT

Chairman McDonnell reported there were no public comments registered.

DRAFT 2020 ENERGY DEVELOPMENT PLAN (EDP)

The Board was provided in the meeting materials a final draft of the 2020 Energy Development Plan which is inclusive of the recommendations made at the September 2019 PEDDA Board meeting and a few edits resultant of the public comments received on the plan. A copy of the comment and response document was provided to the Board members prior to the meeting. Dave Althoff presented an overview of the changes made in the 2020 Energy Development Plan since the September Board Meeting.

Chairman McDonnell opened the floor for comments on the plan. Bernie Lynch asked why propane was included in the plan. Dave Althoff responded that the Propane Association provided comments requesting the Department include propane in the EDP. Propane has been supported as an alternative fuel in DEP's Alternative Fuels Incentive Programs and as such we opted to include propane based on DEP's previous consideration of propane as an alternative fuel.

Chairman McDonnell asked for a motion to accept the Energy Development Plan as final.

Romulo Diaz motioned to accept the Energy Development Plan.

Paul Wentzel seconded the motion, which was unanimously approved by the Board.

It was stated that the 2020 Energy Development Plan would be published and placed on the PEDDA Website.

RESTART GRANT SOLICITATION

Chairman McDonnell stated as an outcome of the last PEDDA Board meeting, The PEDDA Executive Director would present an opportunity to utilize PEDDA funds to support projects identified in the Energy Development Plan. Since then, a program has been developed to achieve that goal while also providing assistance during these unique times. A draft of the proposed solicitation and a one-page summary sheet was provided prior to the meeting to the PEDDA Board members.

David Althoff presented on the details of the proposed PEDDA Restart Grant Solicitation.

Chairman McDonnell opened the floor for comments.

Bernie Lynch asked if there is a marketplace or demand for the type of projects we are seeking in the solicitation. Dave Althoff responded that he received feedback in a previous call regarding energy storage projects and it was reported in the call about 87% of energy storage projects have been experiencing some type of impact due to the pandemic. Many projects have been delayed or stalled.

Bernie Lynch also asked if the timeline will fit given a pandemic occurring over the next year. Dave Althoff responded with the solicitation was created in consideration of this timeline.

Bernie Lynch asked if the Restart solicitation fits with the Green Bank. Dave Althoff responded, no, they are two separate and distinct type of programs and with different purposes. The purpose for this solicitation is to get dollars out there as soon as possible for projects that were disrupted rather than future development projects.

Sarah Hetznecker asked if purchasing a surety bond may be a hurdle for applicants. Dave Althoff agreed that it would be an extra hurdle but determined to necessary given that funding is for 100% working capital and to ensure seriousness of the projects proposed.

Romy Diaz asked if there are any flexibilities in the amount of funding per project given there is a cap. Dave Althoff responded that we would need to have language in the solicitation that we would consider amount higher than \$250,000. That language is not currently in the solicitation. In addition, Dave relayed that past experience with having a floating cap, or, creating an opportunity to justify costs over the cap would create more complexity and create applications that are significantly different relative to size which would hinder a quick evaluation. Dave stated that an avoidance of additional complexity would be important to applicants and reviewers.

Chairman McDonnell asked for a motion to move forward with the PEDAs Restart Grant solicitation.

Virginia Brown motioned to accept the Energy Development Plan.

Sarah Hetznecker seconded the motion, which was unanimously approved by the Board.

GREEN BANK PROPOSAL

Chairman McDonnell introduced the topic with the following comments:

- DEP/PEDA staff have followed-on exploring partnerships with Treasury on the development of a Green Bank due to previous encouragement from the Board.
- DEP has negotiated a MOU with Treasury to work together to develop a Green Bank.
- Treasury has accomplished considerable work on this effort resulting in the development of a proposal submitted to PEDAs for funding and an underlying Request for Proposals for a 3rd Party Loan fund Manager which is near ready for issuance contingent upon PEDAs assurance of financial assistance in helping to start up the Green Bank.
- The proposal from Treasury was provided prior to the meeting as a part of the meeting materials provided to the Board members
- The PEDAs Executive Director along with DEP staff have reviewed the proposal and will provide feedback.

David Althoff gave a presentation on the Green Bank proposal (the Keystone Green Bank Partnership, or KG), and Keith Welks from Treasury was available for questions.

Dave Althoff provided a recommendation to the Board to approve the award of funding to Treasury to enable the release of a Treasury developed Request for Proposals, and work through the grant agreement conditions and governance committee development to establish KG. It would be expected that this innovative financing partnership would develop alternative energy financial incentive programs, resulting in energy development projects that meet PEDAs mission for energy and environmental outcomes.

Chairman McDonnell commented that PEDA has approved more grants than loans, mainly because everybody wants grants, but we also have identified some projects that were probably better suited for loans, however we don't have the internal capacity to identify financial risk or credit worthiness of applicants. This gets us a program that allows us focus on attracting and incentivizing project with loans through an agent like Treasury who has the expertise in that area and is excited about the potential opportunities.

Chairman McDonnell opened the floor for discussion of the proposal.

Romulo Diaz asked if in the proposal whether propane and carbon capture projects would be supported with the reference to reduce fossil fuels. Dave Althoff responded that the proposal was not specific to a list of technologies and there is some interest in flexibility relative to the types of programs or projects we would support on our end when we are looking for a 3rd party loan manager. We would not want to be overly restrictive when attracting a manager. As part of PEDAs acceptance of this proposal, there are opportunities to identify advanced technologies to support that are in the PEDA Energy Development Plan.

Romulo Diaz asked for background on how the governance in the MOU would work. Keith Welks responded that his past experience with funders works where they outline interests and expectations broadly in the initial grant award and then step back and do not get involved in day to day operations because they lose the ability to judge success or failure of who they entrusted the grant to. The MOU is not finalized yet, currently, the structure includes a Governance Committee (GC); 3 staff from Treasury, 3 from DEP, and 1 member of the PEDA Board who can participate, review and contribute as a non-voting member. Projects and programs presented by the investment manager need to have a majority vote from the Governance Committee. Keith indicated this is a structure that can be revisited. Keith reiterated that the choice of the investment manager is very critical hereto the extent of that, our approach to scope issues, and how we operate on a day to day manner should be entrusted to the philosophy the investment manager brings to the process. Keith noted that once we receive responses to the RFP for an investment manager, we will have a better understanding on the structure of their operations and interest in program types supporting projects from within the PEDA suite of project type options from their responses.

Romulo Diaz questioned whether two weeks is an adequate timeframe to get the word out and encourage competition for investment managers to respond to the RFP. Keith Welks replied that two weeks is the timeframe to make the RFP public. There will be 3-4 weeks for respondents and another 3-4 weeks for review of the bids and make a selection.

Nick Troutman asked if the \$2.5M that PEDA is contributing is coming out of Energy Development Fund. Dave Althoff confirmed that it is.

Nick Troutman asked where Treasury's \$10M is coming from. Keith Welks responded, Treasury is an investor of all Commonwealth assets and managing at any given time, \$5-\$12B dollars. Ten million dollars will be taken out of one or several positions. It is not coming out of appropriations. Investment activity does not work the same way as programmatic expenditures work.

Nick Troutman asked how the application process will work for companies looking for loans. Dave Althoff indicated we are seeking to solidify the Energy Development Fund and Treasury contribution and then attract a third-party loan manager to select programs to offer to the Governance Committee. In the proposal, it includes what these programs would look like. Together with experience from the Governance Committee and loan fund manager (who would have good qualifications and experience operating other green banks), would have good ideas how to build program and accept applications, reduce loss and return results that we would desire from PEDA and KG. We are looking at a one to two-year time frame from applications being reviewed and projects getting approved for loan funding.

Nick Troutman asked if there is an opportunity for input when the application is developed. Dave Althoff responded there will be through the Governance Committee, and, Treasury will be required to carry PEDA's expectations forward through the language stated in the grant agreement.

Sarah Hetznecker asked if the contract with Treasury will be brought to the PEDA Board to be approved. Dave Althoff responded that we are hoping to get approval today with the conditions the PEDA Board wants so we can ensure those are incorporated in the grant agreement. Keith Welks added that there are two primary documents in addition to the PEDA- Treasury Grant Agreement, the MOU between Treasury and DEP where definition of projects, operational mechanics requirements and governance committee is laid out and the contract between the investment manager and Treasury. Treasury would be acting on behalf of PEDA and DEP through a contract with the investment manager. Treasury will be the contracting party, as an investment agency who has a more streamlined process to enter into a contract rapidly. DEP, Treasury and PEDA will be making joint decisions as a consequence of the process. Treasury is a "symbolic lead" of the partnership but will carry through its obligations as contained in the grant agreement with PEDA as the steward of PEDA's funds and the matching funds pledged.

Dave Althoff added that PEDA makes an award upon the proposal received and then executes agreement between PEDA and Treasury related to that award. This is a basic process related to development and execution of grant, agreements. PEDA has standard and special conditions which are included in the agreement. All agreements are signed by the Executive Director of PEDA or Chairman of the PEDA Board. Agreements are reviewed by PEDA staff, legal counsel and signed off by Executive Director of PEDA and the Chairman. Agreements are not circulated for review by the Board as the standard operating procedure is that the Executive Director is acting on behalf of the Board, and the Chairman is signing off on those agreements for the Board.

Romulo Diaz asked if the PEDDA Board will be seeing the MOU. Dave Althoff responded yes.

Bernie Lynch asked if the PEDDA Board is being asked to approve funding to enable Treasury to put in their contribution and that the role of the PEDDA Board would be the one seat on the fiduciary organization. Ms. Lynch asked if the outcome of the discussion today is to result in a motion to approve the \$2.5M to move forward and proceed based on proposed structure.

Dave Althoff explained that the initial proposal was received, PEDDA staff evaluated the proposal and determined that the proposal and the expected outcomes fit within the mission of PEDDA's EDP and this is an opportunity to get involved with a loan program rather development of further than one-off grant solicitations with PEDDA's funding. Mr. Althoff also detailed that the powers and duties of PEDDA can be used to attract financing to the green bank partnership as a founding member, and PEDDA would have a seat on the governance committee, which includes an opportunity to have a coordination role that ensures a fit with the PEDDA EDP . The Keystone Grant Partnership would be a mechanism to have PEDDA as a partnership in continuing investments, such that the Board could be meeting and identifying ways to capitalize on the partnership as well as work to attract other financing.

Mr. Althoff discussed that the PEDDA Board, through this grant agreement would establish expectations of initial programs and projects for which the PEDDA dollars will be providing financial incentives, and that these expectations would be in line with the PEDDA mission.

Bernie Lynch asked if the fund manager would also be to grow the fund and other capital investment as part of the RFP? Dave Althoff responded that it is in the proposal from Treasury to PEDDA- to attract other funding to the program.

Keith Welks added that several functions are required of the investment manager, and raising capital is a core function of the investment manager.

Chairman McDonnell asked for a motion to accept Treasury's proposal and PEDDA staff to work on grant agreement documents with Treasury to fulfill proposal to provide \$2.5M.

Romey Diaz motioned to approve the \$2.5 million grant to Treasury subject to it being used in a way consistent with the Energy Development Plan and that there will be further engagements with the Board, beyond the governance committee, as major milestones are accomplished.

Bernie Lynch seconded the motion. There were 11 votes to approve and one vote to oppose. The motion passed.

Other Business

Chairman McDonnell asked if there was any new business. None was reported.

Dave Althoff asked that if anybody has any changes to their contact information or alternates let DEP know. The Department will reach out the PEDDA Board when the Restart Grant solicitation is released.

MEETING ADJOURNED

Chairman McDonnell asked for a motion to adjourn the meeting. Paul Wentzel motioned to adjourn. Mike Welsh seconded the motion. The meeting adjourned at 3:53 p.m.