**MINUTES OF MEETING**
**BOARD OF DIRECTORS**
**PENNSLVANIA ENERGY DEVELOPMENT AUTHORITY**
**November 13, 2023**
**10:33 a.m. – 12:59 p.m.**
**Delaware Room, Rachel Carson State Office Building and via MS Teams**

**<u>Board Members/Designees Present</u>**
Hon. Jessica Shirley, Chair
Designee Adam Walters (for Hon. Rick Siger, DCED)
Hon. Patrick Cicero, Consumer Advocate
Designee Cheryl Cook (for Hon. Russell C. Redding, Agriculture)
Designee Paul Wentzel (for Hon. Wendy Spicher, Banking and Securities)
Hon. Kim Barrow (for Hon. Stephen DeFrank, PUC)
Hon. Elizabeth Fiedler
Designee Stephon Petro (with Hon. Elizabeth Fiedler)
Designee Matt Osenbach (for Hon. Gene Yaw)
Designee Griffin Caruso (for Hon. Joshua Kail)
Sarah Hetznecker
Romulo L. Diaz, Jr.
Bernie Lynch

**<u>DEP Staff</u>**
David Althoff, Jr., PEDA Staff, EPO
Geoff Bristow, Acting Executive Director, PEDA
Alayna Schmeider, PEDA Staff, EPO
Laura Rigge, PEDA Staff, EPO
Robert F. Teplitz, Special Counsel
Jayneisha Davis, Executive Assistant, Office of Programs

**<u>Public/Other Attendees</u>**
Adam Agalloco
Niani Brown
Abbey Cadden, Infrastructure Coordinator, Office of the Governor
Monica Carey
Craig Carioto
Joseph Cullen
Philip Ehrig, Grants Manager, Critical Investment, Office of the Governor
Evan Endres
Martha Hart
Joanne Kilgour
Christa Michelet
Laura Nelson
Dr. Brian Regli, Executive Director, Critical Investments, Office of the Governor
Reed Rispoli
Tessa Shin

Brendon Slotterback
John West

## CALL TO ORDER AND APPROVAL OF MINUTES

The meeting was called to order at 10:33 a.m. by Chair Jessica Shirley, Interim Acting Secretary of the Department of Environmental Protection. Acting Executive Director of PEDA Geoff Bristow conducted the roll call at the beginning of the meeting and a quorum was established. Chair Jessica Shirley introduced two new members of the PEDA Board, Kim Barrow, designee for Hon. Stephen DeFrank, Commissioner, PUC, and Hon. Elizabeth Fielder, PA House of Representatives.

The Board considered its first item of business – the August 23, 2023 PEDA Board meeting minutes. Adam Walters moved to adopt the August 23, 2023 meeting minutes. Patrick Cicero seconded the motion, which was unanimously approved by the Board.

## FINANCIAL UPDATE

Geoff Bristow provided an update of the financial status of PEDA's two funds. The following is the report as of October 31, 2023:

Energy Development Funds (PEDA) – $2,906,539

- Admin + Planned Expenditures YTD: $135,000
- Commitments:
  - Hydro Green: $499,913.00
  - Contract Commitment (PFM): $48,600
  - Contract Commitment (NEIF): $237,848
  - Planned EIAP "Product 1" Fund: $1,000,000
- Available balance: $985,178

Romulo Diaz noted that on the previous financial report the Net Balance had been around $500,000 and asked what the reason for the difference was. Geoff Bristow answered that before the contract with NEIF had been fully executed, the EIAP commitment had been $1,750,000 and now it was $1,237,848, which accounted for the increased net balance.

## PROPOSAL FOR PRODUCT 1 OF THE ENERGY INFRASTRUCTURE ACCELERATOR PROGRAM (EIAP)

Chair Jessica Shirley invited PEDA contractor National Energy Improvement Fund (NEIF) to present its plan for Product 1 under the Energy Infrastructure Accelerator Program (formerly known as the Green Bank). The board was provided with a written briefing of the proposal as well as the wording of a motion to approve the proposal. Matthew Brown and Peter Krajsa of NEIF presented the proposal for Product 1.

- NEIF is an Allentown, PA-based energy efficiency and electrification-focused lender focusing on designing and administering programs to deploy affordable financing. NEIF responded to and won the PEDA RFP to develop, launch, and implement a green bank in Pennsylvania.
- Product 1 was established in the RFP as a financial product to serve the residential market in Pennsylvania.

- The recommendations given by NEIF assume $2 million of federal funding will be available as the primary corpus of funds. Geoff Bristow further explained that the RFP was written in such a way so as to allow the use of either $1 million in state funds or $2 million in federal funds through the State Energy Program funding in the Bipartisan Infrastructure Law (BIL-SEP). While PEDA would like to use the $2 million in federal funds, there are strings attached to the federal funds that might make it infeasible to use those funds, and instead may need to use the $1 million in state funds that are currently available.
- Romulo Diaz asked if the conditions attached to the federal funds would impact the amount of private capital that could be leveraged. Matthew Brown answered that it would not affect the amount of leverage that would be expected, but instead could negatively impact uptake. They singled out Davis-Bacon reporting requirements as a particular concern.
- The product is designed to leverage PEDA capital to attract private capital that will enable at least approximately 10 times that total funding. PEDA capital is designed to be used as "consumable" capital meant to complement, support, and attract existing private capital even if over time the PEDA capital is consumed through some level of credit losses.
- Product 1 is designed to serve the full residential market with an emphasis on maximizing loan volume with no restrictions on income, geography, or efficiency or electrification technologies. Romulo Diaz commented that he had thought that the program was meant to be aimed at low-income households. Geoff Bristow answered that the SEP-BIL funds, unlike the Solar for All funds that PEDA has also applied for, does not require the program to be targeted at low-income households or disadvantaged communities.
- Patrick Cicero asked if the full deck of slides could be made available. He also asked if the program would include individuals who own residential properties that they do not currently reside in. Matthew Brown answered that the primary focus would be on single-family, owner-occupied households. Patrick Cicero commented that he had concerns about contractor-driven lending and how it can negatively impact vulnerable populations. He asked what safeguards are in place to ensure consumers are protected from unscrupulous contractors. Matthew Brown answered that his concerns are critical to the way that NEIF approaches the market, and they have processes in place to work with reputable contractors. Peter Krajsa confirmed that all contractors for the program would have to be registered with the Office of Attorney General and they have further requirements to help ensure that consumers are protected.
- PEDA's role would be an oversight role. NEIF's overall administration of Product 1 is focused heavily on ease of use and speed for customers and contractors.
- NEIF modelled multiple different structures to produce financial structure recommendations as well as financial product delivery mechanisms. It incorporated lessons from the Keystone HELP program and other green bank products from multiple states, and reviewed resources available through PEDA as well as other complementary capital sources.
- NEIF recommended a Senior Subordinate Structure as the best approach for using PEDA capital. Senior Capital refers to private capital, while Subordinate Capital in this case would be the PEDA funds. The PEDA capital would absorb losses and would be invested at a lower rate, creating loss insurance for the Senior Capital and a

blended rate that creates the lowest rate to the customer in a way that also best preserves and recycles PEDA funds. Other options considered, including Revolving Loan Funds, Loss Reserve, and Interest Rate Buydown, did not have the same combination of leverage, affordability, recycling of funds, and ease of administration. Patrick Cicero asked if the capital would be consumed at a higher rate with the Senior Subordinate structure versus a Loss Reserve. Matthew Brown answered that they would consume capital at a similar rate.

- The Senior Subordinate Structure would have a 4-step process: first, NEIF would originate loans with customers. Second, it would fund the loans with 90% private capital and 10% PEDA funds. Third, the lending process would repeat until the PEDA-provided funds are fully invested. The fourth and final step would be the consumers making loan payments.
- The expected impacts would include a reduced interest rate for consumers, the use of private capital, and the recycling of PEDA capital.
- Contractor management and training is a key factor for managing risk in the program. NEIF has an approved network of contractors who are licensed and vetted. Only 10% of contractors are accepted into the network.

Bernie Lynch asked if the Green Bank still exists. Chair Jessica Shirley explained that the word bank is a term with a specific meaning in Pennsylvania and so the program will now be called the Energy Investment Accelerator Program, and Product 1 is not the EIAP itself, but an Energy Efficiency Product for the residential market.

Bernie Lynch asked what the qualifications for the private capital sources are, and what fees are associated with NEIF's Go Greener Academy for contractors. She also requested that 1/3 of the funds be put toward projects on the Western side of the state. Peter Krajsa answered that NEIF partners with financial organizations and contractors from the Pittsburgh area. Matthew Brown answered that the primary pool for sources of private capital would be banks and credit unions, but there is also the potential for CDFIs and other community interest groups to be sources of private capital as well.

Bernie Lynch asked for clarification on how loan repayments would be recycled. Matthew Brown explained that loan repayments would come back to both PEDA and private capital and not to the combined pool of funds being used to create the loans. Bernie Lynch asked about how long it would take for the PEDA capital to be consumed. Peter Krajsa answered that he would approximate the length of the program to be 12-18 months.

Kim Barrow asked who pays the loan origination fee and where is it built into the rate. Matthew Brown answered that it is built into the rate and there would be no separate origination fee, which would typically be 2.49% of the amount outstanding. Kim Barrow asked what role does NEIF see the Sustainable Energy Funds playing. Peter Krajsa explained that the Sustainable Energy Fund in Allentown has been a partner, and there is interest from the West Penn Power Fund as well. Kim Barrow asked how many projects they would estimate could be funded by Product 1. Matthew Brown answered he would estimate about 2,000 projects.

Patrick Cicero asked if contractors would be the conduit of the loans. Peter Krajsa answered that Product 1 would be direct loans to the consumer, and while the contractors might have access to a website for the consumers to use, the loan itself would not go through the contractors. Patrick Cicero asked if there is a savings-to-investment ration that would have to exist in order for the loan to be used to finance the product. Matthew Brown answered that there is not. Patrick Cicero expressed his concerns that past loan products had negatively impacted consumers who could be misled by marketing into expecting higher savings. Matthew Brown expressed that NEIF shares that concern and that there are strategies to mitigate the risks, including vetting contractors and working with consumers to make sure they understand the terms of the loan and the savings and other benefits of energy efficient residential products.

Romulo Diaz asked what NEIF's expectations for uptake are. Peter Krajsa answered that NEIF has received positive feedback from contractors. Historically NEIF has reached out to contractors through trade associations, community organizations, and utility relationships, since many utilities have pre-existing programs that Product 1 could enhance.

Bernie Lynch asked about the payment structure for NEIF. NEIF confirmed that it has a contract to develop multiple financial products, which totals about $240,000. While there are no loan origination fees, the cost of NEIF's management of the loans would account for 2.49% of the amount outstanding.

Chair Jessica Shirley asked if there were any further questions. There were none. Chair Jessica Shirley asked the board to consider the approval of the proposed Product 1 and said that she would entertain the following motion, the text of which had been provided to the board in advance of the meeting:

> *The PEDA board authorizes the National Energy Improvement Fund, or NEIF, to proceed with the development and launch of Product 1. To fund Product 1, the PEDA board authorizes and directs PEDA staff to either (1) dedicate $1 million from the Energy Development Fund for consumable capital in Product 1, or (2) execute an agreement between PEDA and DEP under which DEP will dedicate $2 million from the federal Bipartisan Infrastructure Law-State Energy Program funds to be used for consumable capital in Product 1.*

Paul Wentzel motioned, and Romulo Diaz seconded. Chair Jessica Shirley asked if there was any discussion. Romulo Diaz asked to clarify whether PEDA staff would prefer to fund Product 1 with $2 million federal BIL-SEP funds, but would use the $1 million from the Energy Development Fund as an alternative if that were not feasible.

Rob Teplitz, general counsel to PEDA, confirmed that the preference would be to use the federal BIL-SEP funds, but there were some legal issues due to federal requirements that were making it more difficult to use those funds for Product 1. The motion was worded so that PEDA staff would have authorization from the board to use state money without having to reconvene the PEDA Board. Romulo Diaz asked if the motion could be amended to make it clear what the preference of the PEDA board would be.

Based on the discussion, Chair Jessica Shirley asked if the board wished to amend the second sentence of the motion and also add a third sentence as follows:

> *To fund Product 1, the PEDA board authorizes and directs PEDA staff to execute an agreement between PEDA and DEP under which DEP will dedicate $2 million from federal Bipartisan Infrastructure Law-State Energy Program funds to be used for consumable capital in Product 1. If it becomes challenging to use the federal funds for consumable capital, then the PEDA staff should dedicate $1 million from the Energy Development Fund for consumable capital in Product 1.*

Romulo Diaz motioned, and Bernie Lynch seconded. Chair Jessica Shirley asked if there was any discussion. Griffin Caruso asked what the advantage was to authorizing both options now instead of authorizing only Product 1 now. Geoff Bristow answered the next board meeting is not scheduled until February, and the contract with NEIF has a March delivery date for Product 1.

Bernie Lynch asked if the motion could be further amended to recommend, but not require, that there be equitable distribution of Product 1 across the state based on geography or population. Romulo Diaz expressed his support for that idea. Matt Osenbach asked when it would be determined if the federal funds would be available without issue. Geoff Bristow answered that the funds are already available, but the ability to use them would be most dependent on NEIF's determination of how the federal requirements would affect uptake and the cost to run the program. Dr. Brian Regli clarified that most if not all federal programs require compliance with Davis-Bacon wage reporting requirements. While those requirements are largely covered by Pennsylvania prevailing wage requirements, there is enough of an additional burden with the federal reporting requirements that it may negatively impact uptake.

Patrick Cicero expressed his continued concerns about Product 1 being largely marketed to contractors who would in turn inform consumers about the product, especially since some past programs in other states had negatively impacted consumers. He said he would be voting "no" on the motion for that reason, and not because he had any particular concerns about NEIF and its ability to manage the program. Matthew Brown reiterated that NEIF is a regulated consumer lender in 30 states, including Pennsylvania, and everything it does is subject to consumer lending laws and regulations. Peter Krajsa added that problems with past programs had largely stemmed from lack of attention to debt-to-income ratios, which is something NEIF takes into account when underwriting loans.

Based on the discussion, Chair Jessica Shirley asked if the board wished to amend the amendment to the motion to also add the following revision to the first sentence of the original motion:

> *The PEDA board authorizes NEIF to proceed with the development and launch of Product 1 to a geographically equitable distribution across Pennsylvania.*

Bernie Lynch motioned, and Romulo Diaz seconded. There were 11 ayes, and Patrick Cicero abstained. The motion carried by a majority vote.

Based on the discussion, Chair Jessica Shirley then asked if the board wished to amend the original motion to read in full as follows:

> *The PEDA board authorizes NEIF to proceed with the development and launch of Product 1 to a geographically equitable distribution across Pennsylvania. To fund Product 1, the PEDA board authorizes and directs PEDA staff to execute an agreement between PEDA and DEP under which DEP will dedicate $2 million from federal Bipartisan Infrastructure Law-State Energy Program funds to be used for consumable capital in Product 1. If that becomes a challenge to use the federal money, then the PEDA staff is directed to dedicate $1 million from the state Energy Development Fund for consumable capital in Product 1.*

Paul Wenzel motioned, and Bernie Lynch seconded. There were 11 ayes, and Patrick Cicero abstained. The motion carried by a majority vote.

Finally, Chair Jessica Shirley asked if the board wished to pass the motion as fully amended above. There were 9 ayes, and Patrick Cicero, Griffin Caruso, and Matt Osenbach voted nay. The motion carried by a majority vote.

## PEDA FINANCIAL PLANNING CONTRACT

Chair Shirley asked Geoff Bristow to provide an overview of a proposal for a contract to provide financial planning services for PEDA.

- There is a potential exponential expansion of PEDA as a green bank (EIAP). PEDA could receive increased federal funding from Solar for All, NCIF, CCIA, IIJA, SEFI, and IRA tax credits that could total over $400 million.
- PEDA does not currently have the staff or resources to prepare for that kind of growth.
- PEDA will need financial planning and services including the development and execution of a business model, advising on EIAP structure and ongoing financial management, and support in prioritizing and accessing funding opportunities.
- PEDA received a proposal from PFM Financial Advisors, LLC, who PEDA had previously contracted with for assistance in designing a Solar for All program under the Greenhouse Gas Reduction Fund.
- The proposal submitted would expand that contract to meet PEDA's needs by using an existing Office of Budget contract.

Dr. Brian Regli, Executive Director of Critical Investments, Governor's Office, commented that PEDA has a number of historic opportunities that are coming that could have unique multiplier effects throughout the Commonwealth. He emphasized that revolving federal funds can become state funds when they revolve, which is the basis of PENNVEST's funding stream. The PEDA Board has created a financial opportunity in the long term with their votes today. Through this contract, PFM would assist to comprehensively map out how to manage PEDA's cash flow and how to capitalize on PEDA's funding sources more effectively. Because it already has an existing contract, PFM has already met all diversity, equity, and inclusion requirements, and its pre-existing relationship with PEDA means it is uniquely situated to hit the ground running starting January 1.

Romulo Diaz wanted to confirm that the $120,000 would be a total contract number that replaces the previous $50,000 contract authorization that has not yet been used. Geoff Bristow confirmed that the contract being sought with PFM would be for a total of $120,000, not $170,000.

Based on the discussion, Bernie Lynch made the following motion:

> *The PEDA board authorizes and directs staff to expend funds from the Energy Development Fund up to $120,000 under a six-month engagement with PFM, from January 1, 2024, through June 30, 2024, to assist PEDA with financial management, program development, and evaluation of capital funding alternatives.*

Stephon Petro seconded. There were 10 ayes, Griffin Caruso and Matt Osenbach voted nay, and the motion carried by majority vote.

## UPDATES ON SOLAR FOR ALL AND THE GREENHOUSE GAS REDUCTION FUND

Chair Shirley asked Acting PEDA Executive Director Geoff Bristow to give an update on PEDA's application for funding through Solar for All and other opportunities from the Greenhouse Gas Reduction Fund (GGRF).

- The Greenhouse Gas Reduction Fund is a $27 billion clean energy financing fund administered by EPA created by the Inflation Reduction Act. It consists of three grant competitions: the $14 billion National Clean Investment Fund (2-3 awards); the $6 billion Clean Communities Investment Accelerator (2-7 awards); and the $7 billion Solar for All (up to 60 awards).
- Solar for All's purpose is to invest in household and community solar projects focusing on low-income and disadvantaged communities with grant funds.
- PEDA applied for $250 million in funding in coalition with the Philadelphia Green Capital Corporation (PGCC). Previously, PEDA had a planned to apply for $400 million in funding, but due to a change in the guidelines, that figure was revised to $250 million.
- If PEDA should receive an award, PEDA will develop the program across Pennsylvania while PGCC immediately expands its existing program. In total, PEDA expects 22,000 household solar arrays to be installed under the program.
- The approach will be to offer lease and loan options achieving at least 20% savings for households by leveraging private capital and federal tax credits. The funds will revolve, meaning this could potentially be a 20-year program. PEDA will not be directly funding projects; instead, the money will flow through participating organizations.
- PEDA's application was submitted on October 6, and a March 2024 notification is expected. Currently, PEDA staff is working on a subgrant agreement with PGCC, and PEDA is hiring a Solar for All Program Manager.

- The next steps for Solar for All are to complete the conceptual design of the program, begin the next stages of stakeholder engagement, complete a subgrant agreement with PGCC, hire an experienced firm to lead full program design, engage and procure participating implementation organizations, and design, marketing and implementation.

Chair Shirley asked if there were any questions or comments. There was no further comment from the board.

**NEW BUSINESS**

Chair Shirley asked if there was any new business.
There was no further comment from the board.

**PUBLIC COMMENT**

Chairman Shirley informed the board that no public comments registered. She asked if there were any members of the public who wished to provide comment. John West, president of 21st Century Wind, a company that has a utility-sized wind generator for moderate winds. He commented that Pennsylvania is behind other states in the adoption of wind energy. His company is working on a project in Somerset County.

**UPCOMING MEETINGS**

Chair Shirley asked Acting Executive Director Geoff Bristow to provide an update about upcoming PEDA Board Meetings. Geoff said that with all the changes coming to PEDA, the Board would be meeting on a regular schedule over the next year. The dates for future board meetings will be February 22, May 9, August 15, and November 21. More meetings may be necessary, but there will be at least four meetings in 2024.

**MEETING ADJOURNED**

Hearing no other questions or business to bring before the Board, Chair Jessica Shirley asked for a motion to adjourn the meeting. Romulo Diaz motioned to adjourn, Sarah Hetznecker seconded, and motion passed unanimously. The meeting adjourned at 12:59 p.m.