

MINUTES OF MEETING

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BOARD OF DIRECTORS OF

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PENNSYLVANIA ENERGY DEVELOPMENT AUTHORITY
OFFICE OF ENERGY AND TECHNOLOGY DEVELOPMENT

MARCH 2, 2005

Board Members Present:

Sec. Kathleen A. McGinty, Chairman
Rep. Gibson C. Armstrong
Ray Bologna
Virginia L. Brown
Ty Christy
Romulo L. Diaz, Jr.
Joseph A. Dworetzky, Esquire
Frank Sparrow, designee for Chairman Wendell F. Holland
Tanya McCloskey, designee for Irwin A. Popowsky
Paul Wentzel, designee for Sec. A. William Schenck, III
Sec. Dennis C. Wolff
Steve Drizos, designee for Sec. Dennis Yablonsky

DEP and DCED Staff:

Daniel Desmond
Jeanne Dworetzky
Eric Thumma
Bill Shakely
Patrick Bair
Joseph Powers
Dave Barnes
Julian Gaudion
David Bingaman
Gary Obleski
Karl Lasher
Carol Weber

Public:

Kevin Scott
Bruce Curtis
Brent Alderfer
Bill Morehouse

David Bodnin
Susan Schaeffer
Jim Nagle
Frank Colencheck

Secretary McGinty called the meeting of the Board of Directors of the Pennsylvania Energy Development Authority to order at 10:04 a.m.

Secretary McGinty welcomed the new board members and provided a brief history of Pennsylvania's energy-related accomplishments and a summary of current Pennsylvania energy development activities. Secretary McGinty encouraged board members to be active in promoting PEDAs leadership in fostering the energy manufacturing industry in Pennsylvania and stressed the importance of each board member's role as an agent for Pennsylvania in attracting financing partners and new business to Pennsylvania. Jeanne Dworetzky provided a brief review of the history and current status of the authority.

Consideration of Draft By-laws

Jeanne Dworetzky summarized important provisions of the draft bylaws. Mr. Joseph Dworetzky suggested modifying the draft by-laws to require an annual audit rather than an audit every two years as required in the draft and by the enabling statute. Secretary McGinty agreed to contact the Auditor General to discuss performance of an annual audit. Mr. Joseph Dworetzky made a motion to modify the draft bylaws to require an annual audit. The motion was seconded by Mr. Diaz and passed unanimously.

Mr. Joseph Dworetzky next suggested modifying the bylaws to establish an audit committee of the board. After some discussion, Mr. Joseph Dworetzky made a motion to modify the by-laws to create an audit committee. The motion was seconded by Mr. Diaz and passed unanimously.

Mr. Diaz asked that the authority's counsel provide additional information regarding indemnification to the board. Bill Shakely, DEP counsel, agreed to do so. After some additional discussion, Mr. Diaz moved that the board adopt the by-laws, as amended. The motion was seconded by Ms. Brown and passed unanimously.

Election of Officers

Secretary McGinty next called for nominations for the offices of Secretary and Treasurer of the board. Mr. Joseph Dworetzky nominated Representative Gibson C. Armstrong for the office of Secretary. The nomination was seconded and passed unanimously.

Mr. Bologna nominated Mr. Ty Christy for the office of Treasurer. The nomination was seconded by Steve Drizos and passed unanimously.

Appointment of Staff

Secretary McGinty next announced the designation of key PEDA staff. Dave Barnes was designated to serve as Assistant Secretary. The designation was approved unanimously.

Secretary McGinty designated Eric Thumma to serve as Assistant Treasurer. The designation was approved unanimously.

Secretary McGinty designated Jeanne Dworetzky to serve as the authority's Executive Director. The designation was approved with 11 votes, Board member Mr. Joseph Dworetzky abstaining.

Meeting Schedule

Jeanne Dworetzky noted that the next board meeting tentatively is scheduled for the last week of June, in order to allow adequate time for the April 1 release of the Guidelines for Financial Assistance to the public and for staff review of resulting proposed projects.

Consideration of Piney Creek LP's to Amend Indenture

The authority's outside counsel, Kevin Scott of Fox Rothschild LLP, summarized proposed amendments to the Piney Creek financing documents that would allow for an additional remarketing provision option and would change the security on the bonds to a municipal bond insurance policy. The borrower's counsel, Bill Morehouse of Wolf, Block, Schorr and Solis-Cohen LLP, provided additional details. After some discussion, Secretary McGinty moved for the adoption of the following resolutions:

Resolution 1-Authorizing and directing the execution of a 2005 supplemental indenture of trust to allow the authority's energy development revenue bonds (Piney Creek Project), series 1986, to be remarketed as auction rate securities; authorizing incidental action in connection therewith; and repealing inconsistent resolutions.

Mr. Joseph Dworetzky seconded. The Board cast 11 votes in favor of adopting the resolution, with Mr. Sparrow abstaining. Secretary McGinty moved the adoption of a second Piney Creek resolution:

Resolution 2-Authorizing and directing the execution of a second amended and restated indenture of trust to adopt further provisions deemed appropriate for the authority's energy development revenue bonds (Piney Creek Project), series 1986, to be converted to auction rate securities, secured by a municipal bond insurance policy; authorizing and directing the execution of a loan agreement amendment to conform the loan agreement to the second amended and restated indenture of trust; authorizing incidental action in connection therewith; and repealing inconsistent resolutions.

The motion was seconded by Mr. Joseph Dworetzky and received 11 votes in favor of adopting the resolution, with Mr. Sparrow abstaining. The resolutions as certified by the Secretary of the board are attached to these minutes.

Consideration of Draft Guidelines for Grants, Loans, and Loan Guarantees

Secretary McGinty introduced the discussion of the draft guidelines. Jeanne Dworetzky provided an overview of significant provisions in the draft. She also reviewed comments received from Representative Adolph and from DCED. These included requiring applicants to produce three years of financial statements, a requirement on the application for an explanation of loan security and the addition of fuel cells to the list of eligible projects. Additional comments included the revision of one of the evaluation criteria to provide that projects must take place entirely in Pennsylvania instead of "entirely or largely in Pennsylvania" as the draft provides. There was discussion on this last comment. Rep. Armstrong stated that some companies, which PEDFA would like to attract to Pennsylvania, but which are currently located elsewhere, may be able to develop a project largely in Pennsylvania, but may need to do some limited activity in their home office. Because the authority is seeking to draw developers and investors to Pennsylvania, Rep. Armstrong believes the word "largely" should remain in the criterion. Mr. Drizos and Mr. Diaz agreed with this view.

Mr. Diaz stated a strong preference for projects that are sustainable in the long-term. He also asked what kind of diversity among kinds of projects PEDFA should be trying to achieve. Secretary McGinty listed several types of projects including coal plants, landfill gas projects, farm-based projects, solar deployments, and other good projects.

The Secretary reinforced the importance of high percentages of leveraged money and Jeanne Dworetzky stated that the relevant language in the guidelines would be strengthened. Mr. Christy noted the importance of maintaining flexibility in the programs.

The proposed loan guarantee program was discussed. The Secretary asked whether the exact amount of the guarantee would be known prior to entering an agreement. Mr. Drizos stated that it would.

Secretary McGinty moved the adoption of the guidelines, as amended. The motion was seconded and passed unanimously.

Partnership with PEDFA for Bond Financing

Jeanne Dworetzky described the proposed process for working with PEDFA on bond financing. First, PEDFA will forward a copy to PEDFA of energy project applications it receives. PEDFA will review the application for technical merit and consistency with state energy policy. PEDFA will make a recommendation in the form of a resolution, which we will forward to PEDFA for its consideration. The resolution will not be binding on

PEDFA. Secretary McGinty stated that PEDA will be a compliment to PEDFA and not represent a new layer of bureaucracy.

Energy Development Opportunities in the Commonwealth

Deputy Secretary Desmond made a short presentation on drivers and forces that will make the energy industry and wealth generated from energy production from sales a bigger portion of the Commonwealth's products.

The Energy Development Plan

Jeanne Dworetzky briefly summarized the need for development of a revised Energy Development Plan. Secretary McGinty then led a discussion of some key elements of a revised Plan. Mr. Diaz emphasized that the board must look at energy development within the larger economic development context. He also emphasized that the Commonwealth needs to create information age jobs to attract young people to the Commonwealth.

Mr. Joseph Dworetzky noted that loan guarantees could be even more advantageous than tax-exempt debt financing. He suggested that the board consider what percentage of our funds should be allocated to loan guarantees. He also suggested that the board consider placing a limit on the total amount of funds than can be spent on grants.

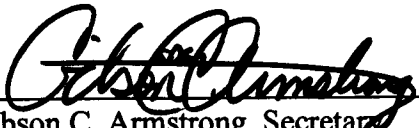
Mr. Bologna asked whether the board should consider requiring some grant projects to pay royalties to PEDA. The suggestion was made of requiring a developer to pay back somewhat more than they borrowed. Mr. Joseph Dworetzky suggested that the RFP or the Plan might contain language to the effect that PEDA desires to raise additional capital to fund future projects and invite the project proponent to make a proposal as to a possible arrangement. Staff will look into these suggestions and will consider whether the RFP should be modified to take that into account.

Mr. Diaz remarked that the Plan should include language to give people some context and to explain the Commonwealth's philosophy on energy development. Staff will develop a draft plan for the board's review.

Public Comment

No public comment was offered.

The meeting was adjourned at 1:28 p.m.


Gibson C. Armstrong, Secretary

30 MAR 05
Date