

PHILADELPHIA ENERGY AUTHORITY

Minutes of the Meeting of the Board of Directors of The Philadelphia Energy Authority

October 2, 2014

The Meeting of the Board of Directors (the "Board") of The Philadelphia Energy Authority (the "Authority") was held on October 2, 2014, beginning at 4:30 PM, in the Municipal Services Building, 1401 JFK Blvd., Room 1450, Philadelphia, Pennsylvania.

The following members of the Authority were present at the meeting:

Barbara Adams
Christopher A. Lewis
Kenneth Ogawa
Emily Schapira

Present at the Meeting were Jill Kowalski, Executive Director, Philadelphia Energy Authority, Adam Agalloco, Mayor's Office of Transportation and Utilities, Albert A. Childs, Chief Administrative Officer, Philadelphia Energy Authority/Philadelphia Municipal Authority, Jocelyn G. Hill, Esquire, City of Philadelphia, Law Department, Barbara McNutt, Philadelphia Energy Authority Intern, Austin J. McGreal, Esquire, Gerard Leon, Law Department Intern, and Lorna Gallman for the Philadelphia Municipal Authority.

Also, present at the Meeting, by invitation of Ms. Kowalski, was Baird Brown, of Drinker Biddle, presenting the Sustainable Energy Finance Program.

Nancy Mifflin, of the American Association of Blacks in Energy Mid-Atlantic, was the sole member of the public in attendance at the Meeting.

Call to Order

Mr. Lewis called the Meeting to order. He determined that a quorum was present and that the Meeting was properly advertised. Mr. Lewis welcomed everyone to the meeting.

Approval of Minutes

As the first order of business, Mr. Lewis made a motion that the Authority approve the minutes of the meeting of the Authority held on July 17, 2014 (the “Prior Meeting”), which minutes were provided to the members in advance of the Meeting. Upon motion duly made and seconded, the minutes from the Prior Meeting were approved by the Board.

Public Comment

As the next order of business, Mr. Lewis asked for comments from the public. No public comment.

Presentation: Baird Brown – PA Sustainability Bond

Ms. Kowalski informed the Board that she was referred to Mr. Baird Brown by Liz Robinson during her stakeholder meetings; and after a conversation with Mr. Brown, Ms. Kowalski invited him to make a presentation to the Board on the Sustainable Energy Bond Program.

Mr. Brown introduced himself to the Board and provided a brief overview of his experience.

Mr. Brown presented to the Board an outline of the Pennsylvania Sustainable Energy Bond Program; which states that the Pennsylvania Treasury in partnership with the Foundation for Renewable Energy and Environment (the “FREE”) and with the support of West Penn Power Sustainable Energy Fund has established a Sustainable Energy Bond Program to promote energy efficiency, economic development and environmental improvement. The program will provide technical and legal assistance, as well as low-cost capital, for energy improvement projects by municipalities, universities, schools and hospitals – the so called “MUSH” sector. Under the Sustainable Energy Bond Program, participating organizations in the MUSH sector will receive free energy audits from energy service companies, or ESCOs. Once potential projects have been identified and the project sponsors (municipalities, universities, schools or hospitals) decide to proceed, bonds will be issued to finance the improvement work.

Mr. Brown reviewed the six-step process of the program which is as follows:

1. Participants achieve substantial savings
2. The FREE Team will assist participants through administration, technical design & financing
3. Procurement is simplified under the Guaranteed Energy Savings Act
4. A standardized Guaranteed Savings Contract
5. Wide choice of conservation measures
6. Pooled financing efficiency – individual financing flexibility

Mr. Ogawa inquired if PECO or a public utility can participate in this program. Mr. Brown informed him that PECO would not be able to use the tax exempted bonds. The Authority Board and Mr. Brown continued their discussions on how the City could utilize the program.

Mr. Lewis indicated to the Board that a separate meeting should be setup with Mr. Brown to answer the numerous outstanding specific questions.

Chair's Report

i. Budget Update

Mr. Lewis told the Board that there are no Grant monies.

ii. Workers Compensation Update

Mr. Lewis noted there is no update as he continues to seek a meeting with the PA Secretary of Labor & Industry.

iii. Staff & Board Evaluation

Mr. Lewis informed the board that he has received all evaluations back, except from one board member. As soon as he receives their evaluation he would prepare a summary and a score.

Quadplex Briefing

Next order of business, Ms. Kowalski invited Adam Agalloco and Jocelyn Hill to provide an update on the Quadplex project and the reassignment. Mr. Agalloco informed the Board that the construction is 90% completed. Substantial completion should be completed by mid-November. Training has been ongoing regarding the building control systems.

Ms. Hill presented to the Board the agreement the City currently has with the Philadelphia Municipal Authority. She explained that page 3, subsection 4A talks about the administrative obligations of the City; and, page 2, subsection 3B talks about the administrative obligations of the Municipal Authority. The Energy Authority would replace the Municipal Authority in reviewing the quarterly reports from NORESO, ECM service responsibilities (functionality), and measurement of verifications and if necessary recommend termination of contract if guaranteed savings are not met.

Ms. Hill continued to explain that the legal document would be adding the scope of work in the form of WHEREAS clauses to incorporate additional possibilities of engagement by PEA.

Mr. Lewis commented that Adam Agalloco and the Department of Public Property will work on the project tracking the maintenance options. The Board continued their discussion on the techniques and the time required monitoring the project. It was suggested that an intern may need to be hired to handle the ESCO valuation.

Mr. Agalloco provided the Board a summary of incremental next steps, which is as follows:

1. Substantial completion of construction
2. Resolve bond issue with NORESCO
3. Final payment by City
4. ESCO provide guarantee bond
5. Acceptance Certificate issued
6. Reassignment of the contract 1st day of the month following the month that the guaranteed savings period begins (January 1st)
7. Municipal Authority would formally approve the contract reassignment
8. Energy Authority would vote on the reassignment

Mr. Childs inquired if anyone had spoken to Nancy Winkler, the City Treasurer regarding this matter. Mr. Agalloco stated that we are in talks with the Treasurer's Office.

Executive Director's Report

Ms. Kowalski provided the Board with a status update on the following:

i. Operations

Ms. Kowalski provided a briefing to City Council, hosted by Councilman Curtis Jones on August 14, 2014, the meeting lasted about one hour and a half. It was recommended that the Energy Authority brief City Council's Standing committee on a regular basis.

Ms. Schapira commented that, Councilman Neilson publicly stated he would focus on energy conservation projects for the City.

Ms. Kowalski continued to provide an update, and addressed the inquiries around the budget line item for an "Energy Master Plan". She described the plan as comprehensive look at economic development and innovation opportunities related to energy.

Based on the Energy Report research, the work plan needs to be updated and will have budget request implication. The board agreed to schedule an informal briefing to discuss these issues.

Ms. Kowalski informed the Board that she and the interns attended the Energy CAP training program and thanked Adam for including PEA. Mr. Agalloco commented that the City will need to sign a data sharing MOU with PEA.

ii Energy Report

Ms. Kowalski indicated that the second draft of the energy report will be ready for the Board's review by next Thursday.

Mr. Lewis reminded the Board their revisions are due back within 2 weeks. Mr. Lewis requested Ms. Kowalski email to the Board the full document and note actual deadline date.

Ms. Kowalski stated that the R.F.P. is due November 1, 2014. We are hopeful the Energy Report will be available on mid-January.

iii Energy Salon

Ms. Kowalski informed the Board that 50 people attended the Salon. We received positive feedback on the event. The next Salon will be in January; we are working with Baird Brown and will be focused on financing energy efficiency projects.

Mr. Lewis thanked Mr. Ogawa for allowing the Authority to use Penn's facility to hold the event. Additionally, Mr. Lewis thanked Mr. Swann for taking leadership in the Salon development. Mr. Lewis heard great feedback.

iv. Energy Project Outlook

Ms. Kowalski indicated that a letter of support was sent to PEDDA in support of the Philadelphia Water Department's Baxter Solar Array Installation grant request.

v. City Programs Update (Adam A.)

Mr. Agalloco informed the Board of upcoming launch for Race to Energy Efficiency, a city-wide program to engage building owners citywide; but, he could not go into more details since he is no longer involved in that project. Ms. Schapira recommended that, for the next quarterly meeting, Alex or Rich provide the Board with an update on MOS programs.

Mr. Agalloco stated that the benchmarking report cards sent to building owners was well received.

Treasurer's Report

FY 2015-16 Budget

Mr. Ogawa gave an overview of the budget noting that the budget is the same as last year. Also, the Executive Director's compensation has been moved from Class 100 to Class 200.

Mr. Lewis suggested that the Board get serious about contacting the Mayor and Deputy Mayor Cutler about the PEA budget, in addition to, contacting other members of the Administration and City Council.

New Business

i. Status of the PHL Energy Audit

The Board members discussed the PHL Energy Audit, it was determined that a meeting should be set up between the Energy Authority and the Airport's engineering staff to clarify the status of the PHL GESA.

Mr. Lewis recognized the receipt of the audit report. He stated that due to the time, the Board will table their discussion of the financial statements until the meeting in January. Mr. Childs was thanked for his efforts to get the report completed on time and filed with the State.

There being no further business to come before the Board, on motion duly made and seconded the Meeting adjourned until the next meeting of the Board, scheduled for January 8, 2015.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Elizabeth Childs", with a long, sweeping horizontal line extending to the right.

Secretary to the Board of Directors