

PHILADELPHIA ENERGY AUTHORITY

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

July 17, 2014

The Special Meeting (the "Meeting") of the Board of Directors (the "Board") of the Philadelphia Energy Authority (the "Authority") was held on July 17, 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
E. Mitchell Swann

Also, present at the Meeting were Jill Kowalski, Executive Director, Philadelphia Energy Authority, Katherine Gajewski, Mayor's Office of Sustainability, Adam Agalloco, Philadelphia Energy Office, 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, Samantha Merkh, Philadelphia Energy Authority Intern, Darrell Giles, Mitchell Titus, LLP, Joshua Kisver, Mitchell Titus, LLP, and Lorna Gallman for the Philadelphia Municipal Authority.

There was one person from the public in attendance at the meeting; he identified himself as Robert Grillo from Laurel Capital Partners.

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 April 3, 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.

Before Mr. Lewis continued with the agenda, he was happy to report the Energy Authority has two interns. Mr. Lewis requested that everyone introduce themselves.

Public Comment

As the next order of business, Mr. Lewis asked for comments from the public. Mr. Grillo indicated he was at the meeting to observe.

Chair's Report

i. Budget Update

Mr. Lewis informed the Board that he has spoken to Andrew Stober and the City has approved the \$116,000 FY15 City Grant. We should be receiving the funding sooner than in the past.

ii. Workers Compensation Update

Mr. Lewis noted that he has spoken with Steven Bradley regarding the Board's social security numbers for the Workers Comp insurance application. Mr. Bradley informed him that the State does not waive this requirement. Mr. Lewis is reaching out to his contacts to get clarification on why Directors social security numbers are required for appointed positions.

iii. Staff & Board Evaluation

Mr. Lewis suggested that the Board formulate an evaluation of Jill's performance as Executive Director. Also, he noted that a self-evaluation of the Board should be done.

Executive Director's Report

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

i. Operations

Intern Update: We have a new intern Samantha Merkh; she is a senior from Richard Stockton College studying the field of energy management. Barbara McNutt continues to intern with the Energy Authority. The interns are working on the Energy Report. The internship will go through the end of the year. Mr. Ogawa expressed his concern that each intern's hours remain under 1000 hours. Ms. Kowalski assured him that the interns would be well below 1,000 hours.

Strategy Session: A Fall strategy session was suggested by MOS to clarify roles between PEA, MOS, MOTU and the Energy Office. Ms. Kowalski suggested that the work session occur after the energy report is completed because the process is uncovering additional gaps and opportunities.

Workspace update: At the request of Councilman Kenney, Ms. Kowalski toured potential free space at the Navy Yard for PEA. The space is in the officer quarters immediately inside the gate and is a single room. The space is too small but PIDC has made it clear that they would work with PEA to find space. In addition, Ms. Kowalski met with Nexus (23rd & Walnut) to tour a co-working space. Nexus offered \$400/month rent which includes space, storage, furniture, copy/print and internet accessibility. Each space has advantages but Ms. Kowalski concluded that for the near term, free space in City Hall with easy access to Council is the ideal location until we get additional funding and are more established. NORESKO is also expected to vacate the workstation adjacent to PEA in City Hall this Fall and it will be assigned to PEA.

The Authority has purchased a new laptop and printer for the office. We have an open account with Alpha Office Supplies. We are also implementing a Petty Cash account in the amount of \$200.00, consistent with the PMA model.

ii Energy Report

Ms. Kowalski informed the Board that she has prepared the draft table of contents for the Energy Report. (see attachment) She is requesting each of the Board members to review a section of the report.

City Governance – Emily S.

Procurement Practices & Utility Relationships – Ken Ogawa

Financing Programs – Barbara A.

Management – Mitchell S.

Mr. Lewis suggested that the entire document be sent to the Board and each person will be responsible for a section. Ms. Gajewski recommended the introduction include a brief history of the Philadelphia Energy Office.

External stakeholder review was discussed and included: Community LC, DVGBC, Penn Future, CBEI, DVGBC, Mark Alan Hughes, and possible other cities.

The Board agreed to schedule an energy report feedback session before August 21st.

iii Energy Salon

Ms. Kowalski noted that the Energy Salon that was scheduled for the summer has been cancelled. We have a new date for the Salon, September 25, 2014, to be held at the University of Pennsylvania. The program is entitled “Looking Through Other Lenses” and is focused on comparing challenges and opportunities of energy management in the private sector. The group of participants will be larger and open to the public. The announcement will be in the MOS & DVGBC newsletter.

iiii Energy Project Outlook

Ms. Kowalski informed the Board that the Energy Authority is working with the Energy Office to explore implementing a lighting turn-key contract at the Airport.

Audit/Financial Review

Mr. Lewis instructed the Board that he would like to move the discussion to the audit review with Mitchell Titus, an accounting firm. He requested that Mitchell Titus representatives introduce themselves for the record. Mr. Darrell Giles, Partner at Mitchell Titus and Joshua Kisver, Senior Manager at Mitchell Titus gave a brief introduction on their accounting firm. Mr. Giles provided the Board with the Engagement Letter for their review. Also, he described to the Board that Mitchell Titus would “review” the Energy Authority’s financial information and supply whatever information the State report requires.

The Board members expressed their concerns about the audit. The Board was not sure if it would be an audit or a review of the financial statements; the out of pocket expenses that could be incurred; the cost of the audit; and the due date of the state report.

Mr. Childs noted to the Board that Mitchell Titus would be doing a “review” of the financials and not a full audit. There would be no out of pocket expenses, because the firm is located in Philadelphia. The cost of the review was negotiated; because, it is a

review and not an audit in the amount of \$5,000.00. Also, the state report is due on September 30th.

Mr. Lewis thanked the representatives from Mitchell Titus for their presentation.

As the next order of business, Mr. Lewis requested Mr. Agalloco to update the Board on the City Programs.

City Programs Update (Adam A.)

Ms. Gajewski told the Board that Kristin Sullivan resigned on June 14, 2014 and the Energy Office has been created to serve the energy functions previously served by the Mayor's Office of Sustainability (MOS) and the Mayor's Office of Transportation and Utilities (MOTU) in the past. The Energy Office is now housed in MOTU. Adam Agalloco is the new Energy Manager effective July 1, 2014. The goal is to make the Energy Office increasingly independent, recognized as a core function of city operations, and working in cooperation with the Department of Public Property. Ms. Gajewski informed the Board that the decision to retain the MOS as a permanent office in City government will be put to a public vote in November. The administration's goal is to ensure that core functions are kept intact. The new Energy Office will focus on internal energy management (supply & demand) and MOS will focus on external policy and city-wide engagement. The staff of the current Energy Office includes Adam Agalloco (manager) and Mardi Ditze (analyst) but two additional positions (engineer & analyst) have been approved in the budget and will be posted in August 2014.

Mr. Agalloco updated the Board on benchmarking. He noted the deadline was June 30, 2014 for the building owners. There was 85% compliance and 1,700 buildings participated in the process. The City's benchmarking report is due in September 2014.

Mr. Agalloco updated the Board on the Departmental Energy Efficiency Incentive Pilot Program. They are waiting on utility bills but indicated that in the 3rd quarter, some Departments experienced a reduction but some Departments had an increase. They have requested funding to extend the pilot for a second year due to the inconclusive results that were impacted by the severe weather we had. The program has 2 separate goals 1) incentivizing energy efficiency and 2) behavior change. They would like to include other Departments but it is a long term decision based on funding.

Mr. Agalloco informed the Board that the Quadplex project was 75% to 80% completed and the project did have a change order, but no fee associated with the change order. The completion date is still scheduled for September 2014.

Members of the Authority asked questions regarding the status of the assignment of the Quadplex contract to PEA from the Philadelphia Municipal Authority. Ms. Hill stated the Law Department is working on a draft Memorandum of Understanding. The Board requested that the responsibilities be outlined and clarified by the Legal Department but agreed with the spirit of the intent of the draft MOU.

Mr. Agalloco informed the Board that there is a NORESCO bonding issue that would need to be resolved before the reassignment to PEA could happen. Mr. Childs noted to the Board that, as a representative for the Municipal Authority, the PMA Board members may have some problems with the reassignment to PEA. He suggested that PEA pay for all legal fees associated with PMA's review of this matter. Mr. Lewis pointed out that the PEA would be taking over PMA's responsibilities without compensation and that the fees should be split. Mr. Agalloco noted that due to the time sensitivity of the project completion related to NORESCO obtaining the performance bond, the PEA Board may need to call a Special Board meeting.

It was concluded that:

- NORESCO bonding issue must be resolved before construction is completed
- Ms. Hill would provide a briefing regarding the contract to PEA
- MOS & PEA would formally notify PMA of their interest in reassigning the Quadplex measurement & verification contract
- Intent of the MOU will be clarified

Treasurer's Report

Year End Financial Report

Mr. Ogawa gave an overview of the budget to the Board and noted that the audit fees exceeded the budget. Mr. Lewis noted that the Cash Flow Report should be corrected as to the PMA Admin fees; the \$1,250 should be constant.

FY 2015-16 Budget

Mr. Ogawa noted that the budget for fiscal year 2015-16 will be the same as last fiscal year in the amount of \$116,000.00.

Upon motion duly made and seconded, the budget was approved by the Board.

New Business

The Board then considered the following resolutions:

- i. Executive Director Contract Resolution: Resolved, that the Consulting Agreement dated September 13, 2013 by and between the Philadelphia Energy Authority and Jill D. Kowalski (the "Agreement") is hereby renewed beginning in July 1, 2014 and expiring June 30, 2015. All other terms and conditions of the Agreement shall remain in full force and effect.

Upon motion duly made and seconded, the Executive Director Contract renewal was approved by the Board.

- ii. Proposed Quadplex Reassignment-MOU with the City: Resolved, PEA approves the substantially complete Quadplex MOU draft as submitted and authorizes the Chairman to approve any changes in negotiations.

The Proposed Quadplex Reassignment MOU was tabled.

- iii. Energy Report Graphics RFP: Resolved, the graphic design services procurement for the energy report be approved and not to exceed \$10,000.

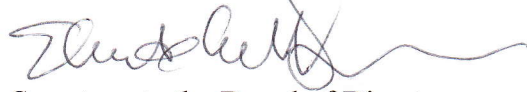
Upon motion duly made and seconded, the Energy Report be competitive bid by RFP, not to exceed \$10,000 was approved by the Board.

- iv. Year end audit: Resolved, \$5,000 contract with Mitchell Titus Co. to perform a "Review" of the financial statements for the fiscal year ended June 30, 2014 to be approved.

Upon motion duly made and seconded, the Mitchell Titus Co. Engagement Letter and Contract were approved by the Board, subject to the review and approval of the Board Chair.

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 October 2, 2014.

Respectfully submitted,

A handwritten signature in black ink, appearing to be "Elizabeth" followed by a long, sweeping flourish.

Secretary to the Board of Directors