



BERKS COUNTY
COMMUNITY FOUNDATION

December 2, 2010

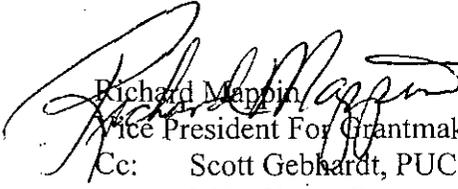
Rosemary Chiavetta
Secretary For The PUC
Pennsylvania Public Utility Commission
North Office Building
P.O. Box 3265
Harrisburg, PA. 17105-3265

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PA, P.U.C.
SECRETARY'S BUREAU

Re: Docket Number M-00031715F0004
Dear Ms. Chiavetta:

On behalf of Kevin Murphy, President of Berks County Community Foundation, and Michael Kane, President of the Community Foundation for the Alleghenies, I am submitting a copy of the amended by-laws of the Metropolitan Edison Company/Pennsylvania Electric Company Sustainable Energy Fund of Berks County Community Foundation and the Community Foundation for the Alleghenies to the Pennsylvania Public Service Utility Commission (PUC) for approval.

At the November 19, 2010 Metropolitan Edison Company/ Pennsylvania Electric Company Sustainable Energy Fund Advisory Board meeting, the Advisory Board approved these amendments to the By-Laws. The yellow sections of the enclosed by-laws represent the changes made to the existing by-laws. I have also enclosed a copy of the new by-laws without the yellow highlights.


Richard Mappin
Vice President For Grantmaking

Cc: Scott Gebhardt, PUC
Mike Kane, Community Foundation for the Alleghenies

**BYLAWS OF THE
METROPOLITAN EDISON COMPANY AND
PENNSYLVANIA ELECTRIC COMPANY
SUSTAINABLE ENERGY FUND**

I. Introduction

The Metropolitan Edison Company and Pennsylvania Electric Company Sustainable Energy Fund ("Fund") was created pursuant to the approval by the Pennsylvania Public Utility Commission ("Commission") of the Joint Petition for Full Settlement of the restructuring plans of Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec"), docket numbers R-00974008 and R-00974009 (Final Order entered October 20, 1998). *On and after January 1, 2010 matters relating to the Fund are filed at Docket No. M-00031715F0004.* The Fund shall consist of two discrete parts, one for Met-Ed and one for Penelec and the Advisory Board "Advisory Board" or "Board" shall appoint an Administrator(s) for each part.

II. Purposes and Approach

(a) Purposes

The purposes of the Fund are those set forth in paragraph H.5. Of the Settlement Petition:

[T]o promote (1) the development and use of renewable energy and clean energy technologies, (2) energy conservation and efficiency, (3) sustainable energy businesses, and (4) projects which improve the environment in the companies' service territories, related to the companies' transmission and distribution facilities.

(b) Approach

1. The Fund shall be operated in a business -like and entrepreneurial manner, to be a continuing provider of financial assistance for energy conservation, energy efficiency, renewable energy, clean energy, and sustainable energy businesses.

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2. The Fund shall operate cooperatively with other sustainable funds and the statewide oversight board established by the Commission.
3. In fulfilling its mission, the Fund shall utilize the financial tools of grants, loans, equity investments, deposits into interest bearing accounts, payments to a fund and grants. (See Section V. (b))

III. Advisory Board

(a) Powers and Duties

The Advisory Board shall have the power and duty to:

- (1) *Review and act upon specific projects by the Administrator(s) that will receive financial assistance from the Fund, review annual plans and reports prepared by the Administrator(s) and, if determined to be necessary or appropriate, adopt policies, guidelines and strategic plans for the achievement of the Fund's stated purposes. ~~Review and provide advice upon the Administrator(s)' annual business plans and budgets, which will include the specific projects that will receive financial assistance from the Fund, and strategies for investing money in the Fund.~~*
- (2) *Approve the annual management fees under which the Administrator(s) will be compensated for their services. In the event that the Administrator(s) and the Advisory Board cannot reach agreement on the annual management fee for the upcoming year, the approved fee from the immediately preceding year shall remain in effect. ~~Approve annual management fees agreements with the Administrator(s), under which the Administrator(s) will be compensated for their services. In the event that the Administrator(s) and the Board cannot agree on the amount of compensation, the level of compensation from the management agreement of the previous year shall continue to apply.~~*
- (3) Take other actions required by these bylaws or necessary for the operation of the Fund.

(b) Number, Appointment, Terms

Initially, the Advisory Board shall consist of the seven members approved by the order of the Commission entered on June 4, 1999 at, *inter alia*,

dockets numbers R-00974008 and R-00974009. *On and after November 1, 2010, the Advisory Board shall consist of not fewer than seven (7) or more than nine (9) members. The composition of the Advisory Board shall at all times include one member from each of the following groups or entities: independent power producers, weatherization providers, electricity suppliers, industrial customers, commercial customers, environmental groups, and Met-Ed/Penelec or an entity affiliated with Met-Ed/Penelec. The balance of the members of the Advisory Board shall be representatives of Pennsylvania ratepayers and stakeholders interested in Pennsylvania's electric utility industry. The term of an Advisory Board member shall be two (2) years and the terms of the members shall be staggered so that the terms of an approximately equal number of members end each year. A member may serve a total of six terms. Unless inconsistent with the express terms of these Bylaws, all actions which cause or fill vacancies on the Advisory Board shall be governed by the Pennsylvania Sustainable Energy Board Best Practices for Regional Sustainable Energy Funds: Guidelines for the Nomination Election and Approval of Directors approved by the Commission by Order entered March 6, 2007, as may be amended from time to time by order of the commission. (A copy of the currently Approved Guidelines is included in Appendix A to these Bylaws. After the expiration of the terms of the initial Board members, vacancies on the Board shall be filled by a simple majority vote of the Board. In filling vacancies, the Board shall maintain representation of the following groups or entities: independent power producers, weatherization providers, electricity suppliers, industrial customers, commercial customers,*

~~environmental groups, and Metropolitan Edison Company/Pennsylvania Electric Company. Four members of the initial Board shall have terms of three years, and three members of the initial Board shall have terms of two years. Thereafter, the term of a Board member shall be two years. The term of a Board member shall begin with approval of the member by the Commission. A member may serve more than one term.~~

(c) Quorum and Vote

~~A simple majority of the Board members, present in person or by telephone at a duly convened meeting, shall constitute a quorum of the Advisory Board. The acts of a simple majority of the members present at a meeting at which a quorum is present shall be the acts of the Advisory Board. Each member of the Board shall have one vote. *Unless expressly specified otherwise in these Bylaws, the acts of a simple majority of the members taken in accordance with the provisions of this Section III (c) shall be the acts of the Advisory Board.*~~

(1) Unless expressly provided otherwise for certain actions of the Advisory Board (e.g. the election of members to the Advisory Board pursuant to Section III (b) of these Bylaws) a simple majority of the sitting members, present at a duly convened meeting of the Advisory Board shall constitute a quorum. For purposes of determining a quorum, a member is "present" if the member attends the meeting in person, or by telephone or by other forms of communication equipment by means of which all persons participating in the meeting can hear each other.

(2) Each member of the Advisory Board shall have one vote.

(3) Voting on any action (other than the election of members to the Advisory Board) which may be taken by the members at a duly convened meeting of the Advisory Board may be conducted without an in-person meeting in accordance with such terms and conditions approved by unanimous written consent(s) of all sitting members. Such written consent(s) shall be received by the Administrator(s) of the Fund and the Chair of the Advisory Board at least three (3) business days in advance of the proposed voting period. The Administrator(s) of the Fund and the Chair of the Advisory Board shall provide written confirmation of the receipt of the requisite written consents to all sitting members of the Advisory Board and notice of the outcome of the vote within three (3) business days following the close of the voting period. The requisite written consents, confirmations and notices may be submitted via U.S. Mail, private delivery service or electronic mail. The provisions of this Paragraph shall not apply to the Annual Meeting.

(d) Meetings

The Advisory Board shall hold an Annual Meeting in the fourth quarter of each calendar year. The agenda for the Annual Meeting shall include, without limitation: (1) a review by the Administrator(s) of the past year's activity; (ii) the Administrator(s) proposed annual work schedule; (iii) a proposed annual management fee structure; review of the audited financial statements of the Fund Administrator(s); a review of the proposed annual report to the Pennsylvania Sustainable Energy Advisory Board (PASAB) and the Commission and (iv) election of the Chair, Vice Chair and Secretary for the upcoming calendar year.

~~The Advisory Board shall hold at least three (3) meeting per year in addition to the annual meeting for the purpose of reviewing and acting upon projects that meet the mission of the Fund. The Advisory Board shall hold an Annual Meeting at which it shall approve the annual business plans and budgets, and the annual management agreements. The Annual Meeting shall be held during the fourth quarter of the year prior to the year during which the annual business plans and budgets, and the annual management agreements will be in effect. The Advisory Board shall hold at least one other meeting annually, the purpose of which shall be to review the operation of the Fund, including discussion of potential projects. The Board may change the annual business plan and budget at any meeting.~~

(e) Conflict of Interest And Confidentiality Policy

~~No Board member, or any business in which a Board Member or their immediate family serve as employees, officers, owners, or Board members, shall receive financial assistance from the Fund unless the following conditions are met:~~

- ~~(1) ————— The Board member has notified the other Board members in writing of his or her potential business or personal interest in the proposed request for financial assistance; and,~~
- ~~(2) ————— The Board member abstains from Board discussion and/or vote regarding any request for financial assistance in which the Board member has a business or financial interest.~~

The Pennsylvania Sustainable Energy Board Best Practices for Regional Sustainable Energy Funds: Guidelines for the Code of Conduct, Conflict of Interest and Confidentiality Policy approved by the Commission by Order entered March 6, 2007, as may be amended from time to time by order of the Commission are incorporated into these Bylaws by reference. (A Copy of the currently Approved Guidelines is included in Appendix A to these Bylaws)

~~(f) — Removal of Board Member~~

~~The commission may remove any individual Board member from the Board of Directors for cause on its own motion, or upon approval of a motion submitted to the Commission by a two thirds majority (2/3) of the seven (7) member Board of Directors. A Board motion must clearly identify the stated cause by which the Board relied in reaching its decision.~~

~~(g) — Resignation and vacancies~~

~~In the event an Advisory Board member resigns, the remaining Board members shall fill the vacancy by majority vote, and shall maintain representation of the groups or entities set forth in Section III (b). The nomination shall be submitted to the Commission for approval.~~

(f) Organization and Structure

The Advisory Board shall appoint a chairman, vice-chairman, and secretary. The chairman shall preside over the meetings of the Advisory Board. The vice-chairman shall perform the duties of the chairman when the latter is

unavailable or absent. The secretary shall keep the minutes of Advisory Board meetings.

(g) Expenses

Members of the Advisory Board shall be entitled to reimbursement from the Fund for reasonable expenses for food, lodging, transportation, and similar items incurred to attend meetings of the Advisory Board.

IV. Fund Administrators

(a) Powers and duties

(1) The Fund Administrator(s) shall prepare and propose, for Advisory Board review and advice, specific projects that are potentially eligible to receive financial assistance from the Fund. The determination of eligibility of any proposed project for financial assistance shall be made in accordance with the criteria set forth in Section II of these Bylaws and the Pennsylvania Sustainable Energy Board Best Practices for Regional Sustainable Energy Funds: Guidelines for Inquiries and Applications for Grants, Loans and Equity Investments and, if necessary, the Pennsylvania Sustainable Energy Board Best Practices for Regional Sustainable Energy Funds: Guidelines for Reconsideration and Appeal approved by the Commission by Order entered March 6, 2007, as may be amended from time to time by Order of the Commission. (A copy of the currently Approved Guidelines is included in Appendix A to these Bylaws.) No funds may be distributed except through a project approved by the Advisory Board. The Administrator (s) shall prepare an annual

~~business review for Advisory Board approval. The annual business review shall be filled with the Pennsylvania Sustainable Energy Advisory Board and the Commission. The Fund Administrator(s) shall prepare and propose, for Advisory Board review and advice, an annual business plan and budget. This document shall contain the proposed projects that will receive financial assistance during the year covered by the business plan and budget. No funds may be disbursed except through a project approved in the annual business plan. The Board approved annual business plan and budget shall be filled with the Commission.~~

- (2) The Fund Administrator(s) shall monitor and manage all financial assistance provided by the Fund, to ensure that the Fund's assistance is properly and efficiently spent.
- (3) The Fund Administrator(s) shall prepare semi-annually a public report regarding the operations of the Fund, and shall distribute copies of this report to the Advisory Board.
- (4) The Fund Administrator(s) will be required to provide the Advisory Board with an annual audit of its financial statements, thirty (30) days after approval by the respective Community Foundation Board of Directors, opined on by a Certified Public Accounting firm, and will include the management letter. This audit shall be a public document and shall be served on the Commission. In addition, the Board may, in its discretion, seek an attestation as to the fund itself from an independent Certified Public Accounting Firm based on an

audit, review or some other type of agreed-upon procedures. The cost of any such attestation shall be borne by the Fund.

(b) Compensation

The Fund Administrator(s) shall receive an annual management fee to cover the costs for performance of their duties. This management fee shall be negotiated and approved by the Advisory Board annually; and shall be charged against the Fund's revenues.

(c) Replacement

If the Advisory Board determines that the Administrator(s) has breached its fiduciary responsibility, the Board shall inform and cooperate with the Commission and the Attorney General of Pennsylvania, and the Board may initiate an action in Orphans Court to replace the Administrator.

V. Fund Revenues and Disbursements

(a) Fund Revenues

All Fund revenues shall be maintained in separate temporarily restricted funds established by the Fund Administrator(s). Revenue deposited in the restricted funds will include, but not be limited to, the lump sum payments of \$5.7 million (Met-Ed) and \$6.4 million (Penelec) provided for in the GPU Energy Settlement Petitions, money paid to the Fund as payment of principle and interest on loans provided by the Fund, money collected as a return on equity investments made by the Fund, money collected as interest on deposits in interest bearing accounts, and money received by the Administrator(s) in the form of grants from government, foundations, and others.

(b) Fund Disbursements

Disbursements from the Fund shall be for financial assistance to specific projects, equity investments meeting the purposes of the Fund and administrative costs reviewed and approved by the Advisory Board. ~~Disbursements from the Fund shall be consistent with the annual management plan and budget reviewed by the Advisory Board, and with the purposes of the Fund stated in Section II of these bylaws. The Fund may make disbursements for grants, loans, equity investments, deposits into interest bearing accounts, and payments to the Fund Administrator(s) pursuant to the management agreements.~~

VI. Amendment of Bylaws

The bylaws may be amended by a majority vote of the members of the Advisory Board. Notice that amendments to the bylaws will be considered must be provided to all members two weeks before the meeting at which the amendments will be considered. The Commission must approve all amendments to these by-laws.

**BYLAWS OF THE
METROPOLITAN EDISON COMPANY AND
PENNSYLVANIA ELECTRIC COMPANY
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I. Introduction

The Metropolitan Edison Company and Pennsylvania Electric Company Sustainable Energy Fund ("Fund") was created pursuant to the approval by the Pennsylvania Public Utility Commission ("Commission") of the Joint Petition for Full Settlement of the restructuring plans of Metropolitan Edison Company ("Met-Ed") and Pennsylvania Electric Company ("Penelec"), docket On and numbers R-00974008 and R-00974009 (Final Order entered October 20, 1998). after January 1, 2010 matters relating to the Fund are filed at Docket No. M-00031715F0004. The Fund shall consist of two discrete parts, one for Met-Ed and one for Penelec and the Advisory Board "Advisory Board" or "Board" shall appoint an Administrator(s) for each part.

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1. The Fund shall be operated in a business -like and entrepreneurial manner, to be a continuing provider of financial assistance for energy conservation, energy efficiency, renewable energy, clean energy, and sustainable energy businesses.

2. The Fund shall operate cooperatively with other sustainable funds and the statewide oversight board established by the Commission.
3. In fulfilling its mission, the Fund shall utilize the financial tools of grants, loans, equity investments, deposits into interest bearing accounts, payments to a fund and grants. (See Section V. (b))

III. Advisory Board

(a) Powers and Duties

The Advisory Board shall have the power and duty to:

- (1) Review and act upon specific projects by the Administrator(s) that will receive financial assistance from the Fund, review annual plans and reports prepared by the Administrator(s) and, if determined to be necessary or appropriate, adopt policies, guidelines and strategic plans for the achievement of the Fund's stated purposes.
- (2) Approve the annual management fees under which the Administrator(s) will be compensated for their services. In the event that the Administrator(s) and the Advisory Board cannot reach agreement on the annual management fee for the upcoming year, the approved fee from the immediately preceding year shall remain in effect.
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(b) Number, Appointment, Terms

Initially, the Advisory Board shall consist of the seven members approved by the order of the Commission entered on June 4, 1999 at, *inter alia*, dockets numbers R-00974008 and R-00974009. On and after November 1, 2010, the Advisory Board shall consist of not fewer than seven (7) or more than nine (9) members. The composition of the Advisory Board shall at all times include one member from each of the following groups or entities: independent power producers, weatherization providers, electricity suppliers, industrial customers,

commercial customers, environmental groups, and Met-Ed/Penelec or an entity affiliated with Met-Ed/Penelec. The balance of the members of the Advisory Board shall be representatives of Pennsylvania ratepayers and stakeholders interested in Pennsylvania's electric utility industry. The term of an Advisory Board member shall be two (2) years and the terms of the members shall be staggered so that the terms of an approximately equal number of members end each year. A member may serve a total of six terms. Unless inconsistent with the express terms of these Bylaws, all actions which cause or fill vacancies on the Advisory Board shall be governed by the Pennsylvania Sustainable Energy Board Best Practices for Regional Sustainable Energy Funds: Guidelines for the Nomination Election and Approval of Directors approved by the Commission by Order entered March 6, 2007, as may be amended from time to time by order of the commission. A copy of the currently Approved Guidelines is included in Appendix A to these Bylaws.

Quorum and Vote

Unless expressly specified otherwise in these Bylaws, the acts of a simple majority of the members taken in accordance with the provisions of this Section III (c) shall be the acts of the Advisory Board.

(1) Unless expressly provided otherwise for certain actions of the Advisory Board (e.g. the election of members to the Advisory Board pursuant to Section III (b) of these Bylaws) a simple majority of the sitting members, present at a duly convened meeting of the Advisory Board shall constitute a quorum. For purposes of determining a quorum, a member is "present" if the member attends

the meeting in person, or by telephone or by other forms of communication equipment by means of which all persons participating in the meeting can hear each other.

(2) Each member of the Advisory Board shall have one vote.

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management fee structure; review of the audited financial statements of the Fund Administrator(s); a review of the proposed annual report to the Pennsylvania Sustainable Energy Advisory Board (PASAB) and the Commission and (iv) election of the Chair, Vice Chair and Secretary for the upcoming calendar year. The Advisory Board shall hold at least three (3) meeting per year in addition to the annual meeting for *the purpose of reviewing and acting upon projects that meet the mission of the Fund.*

Conflict of Interest And Confidentiality Policy

The Pennsylvania Sustainable Energy Board Best Practices for Regional Sustainable Energy Funds: Guidelines for the Code of Conduct, Conflict of Interest and Confidentiality Policy approved by the Commission by Order entered March 6,2007, as may be amended from time to time by order of the Commission are incorporated into these Bylaws by reference. (A Copy of the currently Approved Guidelines is included in Appendix A to these Bylaws)

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and manage all financial assistance provided by the Fund, to ensure that the Fund's assistance is properly and efficiently spent.

(2) The Fund Administrator(s) shall prepare semi-annually a public report regarding the operations of the Fund, and shall distribute copies of this report to the Advisory Board.

(3) The Fund Administrator(s) will be required to provide the Advisory Board with an annual audit of its financial statements, thirty (30) days after approval by the respective Community Foundation Board of Directors. opined on by a Certified Public Accounting firm, and will include the management letter. This audit shall be a public document and shall be served on the Commission. In addition, the Board may, in its discretion, seek an attestation as to the fund itself from an independent Certified Public Accounting Firm based on an audit, review or some other type of agreed-upon procedures. The cost of any such attestation shall be borne by the Fund.

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Disbursements from the Fund shall be for financial assistance to specific projects, equity investments meeting the purposes of the Fund and administrative costs reviewed and approved by the Advisory Board.

VI. Amendment of Bylaws

The bylaws may be amended by a majority vote of the members of the Advisory Board. Notice that amendments to the bylaws will be considered must be provided to all members two weeks before the meeting at which the amendments will be considered. The Commission must approve all amendments to these by-laws.

Pennsylvania Sustainable Energy Board

Best Practices for the Regional Sustainable Energy Funds: Guidelines for the Nomination, Election and Approval of Directors

1.0. INTRODUCTION

The Boards of Directors of the regional Sustainable Energy Funds (“SEFs”) are a vital element of the governance of these new funds. By bringing a breadth of experiences, skills and perspectives, the Directors can guide the SEFs as the funds develop new financial products and programs to meet their mission. Because of the importance of the SEF boards, it is critical that the Director nomination process be open and thorough, and that the public have a meaningful opportunity to observe and/or participate in the process. The purpose of this document is to identify the Best Practices for the process for the nomination and election of new Directors by the SEFs.

2.0. THE COMPOSITION OF SEF BOARDS OF DIRECTORS

- 2.1. The Board of Directors of each SEF shall have seven members.
- 2.2. The SEF board Directors will be representatives of Pennsylvania ratepayers and all other stakeholders interested in Pennsylvania’s electric utility industry.

3.0. TERMS OF SEF DIRECTORS

- 3.1. The length of the term of a Director and the number of consecutive terms a Director may serve will be determined by the individual SEF.
- 3.2. The terms of the Directors will be staggered so that the terms of an approximately equal number of Directors end each year.
- 3.3. The terms of Directors will begin upon their approval by the Pennsylvania Public Utility Commission (“the Commission”).
- 3.4. A Director whose term has expired may continue to serve on the SEF board until the Commission has approved his or her successor.

4.0. RESIGNATION OF A SEF DIRECTOR

- 4.1. A Director may resign from a SEF board by submitting a written letter of resignation to the President of the SEF board, with copies to the Commission and to the SEF staff.

- 4.2. Upon receipt of a resignation letter, the SEF President will notify the SEF Nominations Committee (see section 6.1) and direct them to begin the nominations process for a new Director.

5.0. REMOVAL OF A SEF DIRECTOR

- 5.1. The Commission may remove a Director for cause on its own motion or upon a motion from the SEF that is subsequently approved by the Commission.
- 5.2. The causes for removal of a Director include:
 - 5.2.1 a violation of the SEF's Code of Conduct or of Commission Orders, regulations, or rules;
 - 5.2.2 the failure of the Director to attend or participate in SEF board meetings for more than three consecutive board meetings absent extenuating circumstances satisfactory to the SEF board;
 - 5.2.3 any other action or inaction warranting removal to protect the public interest.
- 5.3. The SEF motion for removal of a Director must clearly identify the cause for the request for removal and must be approved at a SEF board meeting with a quorum of at least two-thirds of the sitting board and the affirmative vote of at least two-thirds of the Directors attending the board meeting.
- 5.4. Upon receipt of the Commission Order approving the removal of a Director, the SEF President will notify the Nominations Committee and direct them to begin the nominations process for a new Director.

6.0. NOMINATION OF SEF DIRECTORS

- 6.1. Each SEF will utilize a Nominations Committee. A SEF may utilize another board administrative committee to perform the nominations functions. The Nominations Committee will consist of members of the SEF, as determined by the SEF board. The responsibilities of the Nominations Committee are:
 - 6.1.1 to establish selection objectives and criteria that indicate which skills, experience and perspectives are needed by the SEF board;
 - 6.1.2 to provide public notice of the vacancy and to request nominations;
 - 6.1.3 to receive nominations for new Directors
 - 6.1.4 to review the qualifications of the candidates and compare them against the selection objectives and criteria; and,
 - 6.1.5 to recommend a candidate for the vacancy.
- 6.2. Whenever there is a vacancy on the board, whether by expiration of a term (including a term of an incumbent Director interested in continuing on the board for another term), resignation or removal, the Nominations Committee will review the set of skills, experience and perspectives that are already on the SEF board and will identify the

board's selection objectives and criteria for adding new skills, experience and perspectives. The selection objectives and criteria must be approved by the full SEF board prior to their adoption and public release. These selection objectives and criteria will be described in a written statement from the Nominations Committee that will be included in the notice of the vacancy and the call for nominations. The process discussed in these best practices will be used even in the case of a current Director, whose term is expiring, that the Nominations Committee wishes to include in the nominee pool.

6.3. Whenever there is a vacancy on the board, whether by expiration of a term (including a term of an incumbent Director interested in continuing on the board for another term), resignation or removal, the Nominations Committee will provide public notice of the vacancy and a call for nominations by the following means:

- 6.3.1 a written notice to the Commission;
- 6.3.2 an electronic mail notice to the SEF's e-mailing list if available; and,
- 6.3.3 a notice on the SEF's website.

6.4. The notice of the vacancy will include the Nomination Committee's statement of selection objectives and criteria (see section 6.2) and will invite interested persons to submit nominations to the SEF Nominations Committee.

6.5. Nominations may be submitted by any person interested in Pennsylvania's electric utility industry or clean energy technologies.

6.6. Nominations will be accepted from the persons listed in section 6.5 for a period at least four weeks following the notice required in section 6.3.

6.7. Nominees must certify in writing that they do not have any criminal convictions, including felonies and misdemeanors, or that they are not the subject of any current criminal investigations.

6.8. The Nominations Committee will review the nominations, review the qualifications of the candidates and conduct whatever interviews it sees fit.

6.9. The Nominations Committee will make a written nominations report to the SEF board. The nominations report will provide information about:

- 6.9.1 the key dates and events in the nomination process;
- 6.9.2 the list of individuals who were nominated for the position and identifying information about who nominated each candidate;
- 6.9.3 the evaluation of the candidates against the established selection objectives and criteria;
- 6.9.4 the individual recommended by the Nominations Committee; and,
- 6.9.5 the results of any appropriate background check on the recommended nominee.

7.0. ELECTION OF SEF DIRECTORS

- 7.1. New Directors will be elected at a meeting of a SEF board.
- 7.2. The quorum for the election of Directors will be at least two-thirds of the sitting board.
- 7.3. The SEF board has the responsibility to review the nominations and the recommendation of the Nominations Committee and to select the candidate they believe best able to satisfy the needs of the SEF to fulfill its mission, represent its various ratepayer and other constituencies, and to comply with the spirit of the original settlement agreement and the SEF bylaws. An individual is elected to the SEF board upon the affirmative vote of a majority of the Directors attending the board meeting.

8.0. SUBMISSION OF THE NAME OF THE ELECTED DIRECTOR TO THE COMMISSION

- 8.1. Following the election of a new Director by the SEF board, the SEF will prepare and submit a letter to the SEF's service list and the Commission's Secretary's Bureau at the appropriate docket number, with copies to the Bureau of Conservation, Energy and Economic Planning and Law Bureau, requesting approval of the elected Director.
- 8.2. This request will include a copy of the nominations report prepared under section 5(h) and a biographical statement of the elected Director.

9.0. REVIEW AND APPROVAL OF THE ELECTED DIRECTORS BY THE COMMISSION

- 9.1. The Commission will review the qualifications of the elected Director. The Commission will approve or disapprove the candidate and set forth the reasons for its decision.
- 9.2. Upon approval of the elected Director, the SEF will publicize the approval as follows:
 - 9.2.1 an electronic mail notice to the SEF's e-mailing lists;
 - 9.2.2 a written notice to those who nominated someone for the SEF director position; and,
 - 9.2.3 a notice on the SEF's website.

NOTE: These Best Practices were approved by the Pennsylvania Sustainable Energy Board on _____.

Pennsylvania Sustainable Energy Board

Best Practices for the Regional Sustainable Energy Funds: Guidelines for the Code of Conduct, Conflict Of Interest and Confidentiality Policy

1.0. INTRODUCTION

Pennsylvania's regional Sustainable Energy Funds ("the SEFs") strive to ensure that its activities, as well as those of its Directors, officers, employees, consultants and independent contractors, are conducted in compliance with appropriate ethics, loyalty, honesty, integrity, fair dealing and independence.

To this end, the Board of Directors of the SEF (the "Board") adopt this Code of Conduct and Conflict of Interest Policy to preclude material conflict of interest or impropriety with respect to the duties and activities of such persons or entities relating to the SEF.

2.0. GUIDELINES

The Directors, officers, employees, consultants and independent contractors of the SEF, in all transactions related to their duties on behalf of the SEF, or on behalf of those entities served by the SEF, shall adhere to the standards of ethics, care, loyalty, honesty, integrity and fair dealing described herein and shall at all times act in the best interests of the SEF.

3.0. DEFINITIONS

Adverse Interest shall mean when a Covered Person, or a Family Member of a Covered Person, has a Financial Interest in an entity that (a) is receiving financial support from the SEF; (b) is currently seeking financial support from the SEF; or (c) is likely to seek financial support from the SEF in the coming twelve months.

Compensation shall mean direct or indirect remuneration, as well as gifts, loans, gratuity, favor or service that are substantial in nature. The acceptance of food and refreshment of nominal value on infrequent occasions in the ordinary course of a lunch or dinner meeting or other meeting shall not be deemed a "gift, loan, gratuity, favor or service" for purposes of this definition.

Confidential Information shall mean all documents, records, files, contracts, communications, conversations, prospective or actual equity or borrower information, trade secrets, data, or other information that the owner has expressly and unequivocally stated to the SEF to be confidential or proprietary.

Covered Person shall mean any SEF Director, SEF employee and SEF contractor who performs program or administrative tasks for the SEF. The term does not include persons whose only

connection to the SEF is that they are grantees or recipients of financial support from the SEF. For purposes of the Confidentiality rules (section 7.0) only, employees of the Commission will be included in the definition of covered person.

Duty of Care is the requirement that a director fulfill his or her responsibilities responsibly, thoroughly and in good faith. It means committing the necessary time to prepare for and attend board meetings and other SEF business and to participate in SEF business in an informed basis.

Family Member shall mean the Covered Person's spouse, child, parent, brother, sister, or any other person living in the home of the Covered Person.

Financial Interest shall mean (a) an ownership or investment interest in, or (b) a compensation arrangement with an entity. Voluntary, unpaid board membership in a nonprofit organization does not constitute a financial interest with that organization.

4.0. DISCLOSURE AND FINDING OF ADVERSE INTEREST

- 4.1. A Covered Person who has an Adverse Interest with respect to an entity that is seeking financial support from the SEF must disclose in writing to the SEF Board the nature and extent of the interest.
- 4.2. If a Covered Person fails to disclose an Adverse Interest, it is appropriate for another SEF Director, SEF staff person or other interested person to bring the possibility of an Adverse Interest to the attention of the Board.
- 4.3. After providing the involved person an opportunity to address the Board, the Board will make a finding of whether an Adverse Interest exists or does not exist with respect to a specific entity.

5.0. ACTIONS UPON DISCLOSURE OF ADVERSE INTEREST

- 5.1. If a Covered Person is found to have an Adverse Interest:
 - 5.1.1 Unless a SEF determines otherwise, the Covered Person may not be allowed to participate in any Board or staff discussions about the specifics of a Request for Proposals or similar competitive documents prior to their public issuance. This is to ensure that the Covered Person does not get advance notice of the details of the Request for Proposals and thus gains a competitive advantage over other applicants. This section does not prevent SEF staff from meeting with Directors or the employers of Directors to develop program or project ideas. If any such programs or projects are taken to the board for approval, the SEF staff and the involved Director must disclose the planning work as required by section 4.0 and take the actions listed in section 5.0.
 - 5.1.2 The Covered Person is to be excused from all Board deliberations with respect to the entity that gave rise to the Adverse Interest and must continue to be absent

during the Board vote on the financial request. This will include not only the deliberations about the entity itself, but also the deliberations involving entities that are in competition for financial support, such as the applicants responding to a Request for Proposals. The Covered Person may, at the discretion of the Chairperson, make a statement about the entity or the financial request at the beginning of the Board consideration, but at the conclusion of the statement, the Covered Person must leave the room so that the Board's discussion can continue without the Covered Person being present.

5.1.3 The Board shall take such action, which is necessary in light of the facts revealed by the disclosure, to avoid a conflict of interest or impropriety with regard to a project. The Board must use its independent judgment to determine if the transaction is fair to the Fund and in the Fund's best interests.

5.2. The minutes of the Board meetings shall contain:

5.2.1 The names of the Covered Persons who disclosed or otherwise were found to have an Adverse Interest and the nature of the Adverse Interest.

5.2.2 The names of the persons who were present for discussions and Board decisions relating to the transaction or arrangement.

6.0. PROHIBITED ACTIVITIES

6.1. No Covered Person may solicit, accept or receive from a person, firm, corporation or other business or professional entity or organization a gift, loan, gratuity, favor or service that might influence his or her position in the discharge of his or her official duties concerning a project or any other activities of the SEF.

6.2. No Covered Person may directly or indirectly use for personal gain any information not available to the public concerning a project or company, nor may a Covered Person provide that information to others.

7.0. CONFIDENTIALITY

7.1. From time to time during the course of their service to the SEF, Covered Persons will be given Confidential Information. Maintaining the confidentiality of this information is vital to the functioning of the SEF. No Covered Person shall disclose any Confidential Information, directly or indirectly, nor use it in any manner.

7.2. A Covered Person will protect the confidentiality of Confidential Information they receive in the course of their work with the SEF as follows:

7.2.1 They will not disclose the confidential documents and information to any third party.

- 7.2.2 They will safely maintain and store all confidential documents and other materials that they receive.
- 7.2.3 They will not copy or reproduce any part of the confidential documents that they receive.
- 7.2.4 They will return the confidential documents to the SEF upon completion of their review.

7.3. Each Covered Person's obligations under this paragraph shall not apply to Confidential Information which:

- 7.3.1 was in the public domain at the time it was communicated to the Covered Person;
- 7.3.2 entered the public domain subsequent to the time it was communicated to the Covered Person through no fault of the Covered Person;
- 7.3.3 was rightfully communicated to the Covered Person free of any obligation of confidence
- 7.3.4 was free of any obligation of confidence subsequent to the time it was communicated to the Covered Person;
- 7.3.5 was developed by the Covered Person independently of and without reference to any information communicated to the Covered Person;
- 7.3.6 was communicated in response to a valid order by a court or other governmental body, or otherwise required by law.

8.0. COMMUNICATION AND AFFIRMATION OF POLICY.

- 8.1. The SEF shall deliver a copy of this policy to each of its officers, Directors, employees, consultants and independent contractors and post it on the SEF website. These best practices will also be posted on the Pennsylvania Sustainable Energy Board section of the Commission's website.
- 8.2. To ensure compliance with this policy, all Covered Persons shall be required to execute an *Acknowledgment and Acceptance / Financial Interest Disclosure Statement*. A sample form is attached, but each SEF may design its own form. All covered persons will be given this form each year. Although such information will be made available to the members of the Board, it will otherwise be treated as confidential.
- 8.3. All candidates for SEF Directors, employees, consultants or independent contractors shall be advised, prior to election, hiring or retention, of this policy and each shall affirm his or her willingness to submit the form prior to their election, hiring or retention.

9.0. REMEDIES

- 9.1. The failure to make any required disclosure under this policy or any other breach of this policy is grounds for disciplinary action by the SEF against the Covered Person. This disciplinary action may include removal from the Board or termination of the individual's employment, consulting or other contract or arrangement, and is grounds for disapproval of an application or rescission of a project by the SEF. The remedies provided herein shall be in addition to any other legal remedies available to the SEF.

10.0. COMPENSATION OF DIRECTORS

- 10.1. If a SEF chooses, a SEF may reimburse directors for reasonable expenses they have incurred to participate in board meetings and other SEF business events and for other incidental SEF business expenses. Reimbursement can only be made upon the presentation of proper receipts for the eligible expenditures.
- 10.2. No director will receive a stipend or any other compensation from the SEF for serving on a SEF board, other than the reimbursement of travel expenses or other incidental SEF expenses as provided for in section 9(a). No director will receive compensation from the SEF for any other service to the SEF outside of the duties of a director, whether under contract or otherwise.

NOTE: *These Best Practices were approved by the Pennsylvania Sustainable Energy Board on _____.*

NOTE: The following form is to be completed and signed and submitted each year by every Covered Person:

**Acknowledgment and Acceptance
and
Annual Financial Interest Disclosure Statement
for**

[name]

Please complete and sign this disclosure statement and return to the SEF at the address indicated below. Any changes in the future should also be reported immediately.

1. List all positions that you hold with the SEF (*i.e.* Director, employee, contractor, etc.):

2. List below all corporations, institutions, or organizations with which you have a Financial Interest (as defined in the Policy) that have sought, are now seeking or may in the future seek financial support from the SEF:

*Name of
Company or Organization*

*Nature of Interest
or Affiliation*

3. List below all corporations, institutions, or organizations with which your Family Members have a Financial Interest (as defined in the Policy) that have sought, are now seeking or may in the future seek financial support from the SEF:

<i>Name/Relationship of Family Member</i>	<i>Name of Company or Organization</i>	<i>Nature of Interest or Affiliation</i>
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I certify the following statements to be true and accurate:

- I have read and understand the SEF's Code of Conduct, Conflict of Interest and Confidentiality Policy.
- I agree to comply with its provisions, including the requirement to file an annual Acceptance and Acknowledgement / Annual Financial Disclosure Statement.
- I certify that the information given above is complete and accurate.
- I acknowledge my responsibility to report promptly to the SEF any potential Adverse Interests of which I learn after the date of this report.

signature

date

Please complete, sign and return to:

[name and address]

For questions, please contact _____ at _____._____

Pennsylvania Sustainable Energy Board

Best Practices for the Regional Sustainable Energy Funds: Guidelines for Inquiries and Applications for Grants, Loans and Equity Investments

1.0. INTRODUCTION

While Pennsylvania's regional Sustainable Energy Funds ("the SEFs") operate with different boards and staffs, all share the same basic goals. Therefore it is appropriate to have shared general practices and requirements for the solicitation, acceptance for review, and evaluation of grant, equity and loan applications. This still also allows each board to consider applications based on their merits as well as on board emphasis relative to the larger mission of the SEF.

2.0. DEFINITIONS

Application. Written materials that are sufficient for the SEF to begin a due diligence inquiry into the soundness of a financial request. Each SEF may determine the form and content of what constitute an application for its various financial products (grants, loans and equity investments). A partial or incomplete submittal does not constitute an application.

Inquiry. Any discussion about financial assistance that does not meet the standard of an application.

PUC Project Matrix. A matrix that the SEFs must submit each calendar quarter to the Pennsylvania Public Utility Commission providing information about all approved applications. There is a second proprietary matrix that the SEFs submit each calendar quarter that provides information about the status of all applications.

3.0. OUTREACH PRACTICES TO GENERATE INQUIRES

The strategies a SEF may use to generate inquiries may include the following:

- 3.1. Presentation and/or participation in trade shows/gatherings/conferences
- 3.2. Participation in regional groups/associations (Green Building Alliance, Fuel Cell Working Group, etc.)
- 3.3. Networking with State and Federal government efforts (Energy Harvest Program, Small Wind Program, etc.)
- 3.4. Web Presence
- 3.5. Printed materials available for distribution

- 3.6. Board interaction
- 3.7. Staff interaction

4.0. INQUIRIES

- 4.1. Individuals, non-profit and/or for profit organizations interested in applying for a grant, equity or loan investment are urged to submit a letter of inquiry outlining, in no more than two pages, how the project meets the mission of the fund, the goals for the project, a brief description of the project, a description of how you intent to measure the benefits of the project, as well as the amount of the request. Letters of intent may be submitted at anytime.
- 4.2. A SEF does not need to report the inquiries it receives on the PUC Project Matrix.

5.0. APPLICATION PROCEDURES

- 5.1. Each SEF accepts applications from individuals, for-profit corporations and not-for-profit organizations.
- 5.2. At certain times, a SEF may use the Request for Proposal (RFP) method of grantmaking. Each SEF using this grantmaking method will detail in the RFP the procedures to be used by the applicant.
- 5.3. Each SEF will develop an application form for each of the financial products it offers.
- 5.4. Individuals, for-profit corporations and not-for-profit organizations whose projects appear to meet the guidelines may be invited to submit a full application. An invitation to submit a full application in no way guarantees that the SEF will ultimately approve the project.
- 5.5. A SEF will report each complete application it receives on the PUC Project Matrix. An applications will be considered complete when it contains the information needed for the SEF to conduct the technical and financial due diligence of the proposed activity or project,

6.0. APPLICATION CONTENT

- 6.1. While application forms may vary according to design criteria, this section describes general guidelines for the application forms.
- 6.2. For a Application from a non-profit organizations or a for-profit corporation:
 - 6.2.1 A brief history of your company and its current mission.
 - 6.2.2 The history of your company's involvement with the proposed project

- 6.2.3 An overview of your company's organizational structure.
- 6.2.4 A copy of the company's legal structure
- 6.2.5** Please include a copy of your company's latest business plan.

6.3. For an Application from an Individual:

- 6.3.1 Describe your personal background and how it relates to the project
- 6.3.2 Provide an employment history
- 6.3.3 Provide your most recent Federal Income Tax Return

6.4. Project Description. Describe the specific project for which you are seeking funding, including the following information:

- 6.4.1 How this project fits the mission of the SEF Fund.
- 6.4.2 Where in the SEF Fund's electric service territory the project is located.
- 6.4.3 How and why this site was chosen.
- 6.4.4 Who benefits from this project
- 6.4.5 A description of how you intend to maintain the project in the future.
- 6.4.6 A copy of the total financial projections for the project.
- 6.4.7 Identify the working capital requirements for the project
- 6.4.8 Describe the company's record keeping capabilities
- 6.4.9 Describe the timeline for this project
- 6.4.10 Describe how you will measure energy saved and/or generated.
- 6.4.11 Describe how you will measure the environmental impact of the project.
- 6.4.12 Describe how the SEF investment will leverage other funding for the project
- 6.4.13 The number of permanent and temporary jobs to be created by the project
- 6.4.14 If the project has an educational component, describe who will be served and whether or not this will be formal and/or informal education

6.5. Management Team

- 6.5.1 Provide biographical data on each of the key management personnel.
- 6.5.2 Describe previous work experience of key personnel with this type project.
- 6.5.3 If a management gap exists, describe how you intend to fill that gap.

- 6.6. Financial Request. Describe the specific financial request being made to the fund:
- 6.6.1 The amount of the request.
 - 6.6.2 Provide a budget for the project
 - 6.6.3 Provide the most recent company financials

7.0. APPLICATION REVIEW AND DECISION PROCESS

- 7.1. Each SEF will set up its own application review and decision process.
- 7.2. After receiving the application and doing an initial due diligence, a site visit or a meeting at the SEF office may be scheduled. Following the site or office visit, staff or outside counsel may complete due diligence which may result in a request for additional information. Staff then may forward it to the appropriate SEF Committee, which may or may not request additional information. Upon completion of the review, a recommendation will be forwarded to the SEF Board of Directors for approval or denial.
- 7.3. The amount of time required to consider an application will vary with the complexity of the application, but applicants should consider 90 days, from the date a complete application is received by the SEF to be the norm.
- 7.4. Each final decision of a SEF on an application should be communicated in writing to the applicant within a reasonable timeframe, usually seven business days following the final decision.
 - 7.4.1 If the application was approved, the SEF staff will prepare the necessary grant, loan or equity investment documents. These documents may contain the expected outcomes for the project, a design for measuring the outcomes, a timeline for completion of project activities, for which the grant, equity or loan investment is approved, a schedule of payments, if appropriate, expected accounting procedures to be followed by the recipient, how publicity for the project may be handled, who may use materials generated by the project and the use of the SEF logo.
 - 7.4.2 If the application was denied, the SEF staff will inform the applicant in writing the reason(s) for the denial.

Pennsylvania Sustainable Energy Board

Best Practices for the Regional Sustainable Energy Funds: Guidelines for Reconsideration and Appeal

1.0. INTRODUCTION

Pennsylvania's regional Sustainable Energy Funds ("the SEFs") utilize grant making, lending and investing activities to support their missions. These funding decisions require a careful consideration and balancing of a number of issues, including but not limited to financial return, social return, risk and costs. Because not all applicants may be fully satisfied with all SEF funding decisions, each SEF will develop written policies for reconsideration and appeal of funding decisions.

These Best Practices identify key elements of those reconsideration and appeal policies. Since each SEF uses a different operating structure for grant and loan approvals, policies and procedures should be developed that support a particular operating structure. Hence, no single model is suggested for reconsideration and appeal practices.

Documented policies and procedures will enhance public relations and further the mission and objectives of each SEF.

2.0. DEFINITIONS

Reconsideration – A review of a prior decision by the original decision-maker with the possibility of changing or modifying that decision. This process could be applicable to all decisions that have been made by individuals, committees and boards.

Appeal – A request of a higher authority to review a decision made by a lower authority with the possibility of changing or modifying the lower authority's decision. This review process is not applicable to all decisions. The highest authority's decisions cannot be subject to appeal. Appeal for the purposes of this practice is limited to each SEF's internal review of its decisions. No external review is suggested, implied or should be inferred.

Regulations – Rules and administrative codes issued by governmental agencies at all levels. The SEFs are subject to the Orders, regulations and directives of the Pennsylvania Public Utility Commission as well as other federal and state regulations.

Policies and Procedures – Statements adopted by the funds to give guidance to determining a course of action. The SEFs can provide funding through grants, loans and equity investments. The SEFs will adopt policies and procedures for receiving funding applications, making funding decisions and monitoring funding activities. In addition, policies and procedures should be adopted for reconsideration and appeal of funding decisions.

3.0. RECONSIDERATION AND APPEAL

- 3.1. Although reconsideration and appeal are defined differently, each action requires a review of a prior decision. Both reconsideration and appeal require a determination as to *whether the prior decision should stand or be changed.*
- 3.2. Reconsideration places review of a decision with the original decision-makers (an individual or group of individuals serving on a committee or board). Reconsideration may be justified when there is new material information available that was not part of the original decision
- 3.3. Appeal places review of a decision with another decision-maker who has some oversight or control over the original decision-maker. Appeal is not always applicable since the highest authority's decisions cannot be appealed. The SEFs should identify the highest authority within their operating structure and indicate that decisions of the identified highest authority are final and are not subject to appeal.
- 3.4. A reconsideration that is unacceptable to the applicant could lead to an appeal, if an appeal process is available.
- 3.5. An appeal should not be allowed until all reconsideration processes have been exhausted.

4.0. RELATION TO OTHER POLICIES AND PROCEDURES

- 4.1. Each SEF should adopt policies and procedures that provide guidelines for approval and rejection of funding requests. These policies and procedures should establish who has authority to approve, reject, or recommend approval/rejection of funding applications. Policies and procedures should determine whether recommending individual(s) should have a role in reconsideration or approval processes.
- 4.2. It is recommended that policies and procedures that govern funding processes be reviewed and a determination be made which actions will be subject to reconsideration and appeal.

For example, a simple policy governing due dates for grant applications may state:

All grant applications must be postmarked no later than April 30, 2004.

As written, a decision maker could reject a grant application postmarked May 1, 2004. The rejected applicant could apply for reconsideration or appeal if such policies exist.

If the policy is written:

All grant applications must be postmarked no later than April 30, 2004. Staff is authorized to reject and return any grant application that is postmarked later than April 30, 2004. Applications rejected and returned under this policy will not be entitled to reconsideration and appeal procedures.

Applicants clearly understand that the due date is absolute and there are no further rights for reconsideration or appeal.

5.0. THE FOLLOWING PROCEDURES SHOULD BE ADOPTED:

- 5.1. If the causes for rejection are believed to be correctable, the applicant should be further advised to correct the application and reapply.
- 5.2. Each SEF should have written policies and procedures for reconsideration and appeal. Procedures should identify to whom the appeal or reconsideration forms should be delivered.
- 5.3. Only an applicant can request reconsideration or appeal. The request for reconsideration or appeal should be in writing and have supporting documents.
- 5.4. The request for reconsideration or appeal must be submitted by a defined time that is usually a short and reasonable period after notification of rejection. That period ideally should not exceed 60 days.
- 5.5. The period for review and action on a request for reconsideration or appeal must be a time defined by the policies and procedures of each SEF.
- 5.6. SEFs should consider defining the grounds for reconsideration and appeal. Grounds for reconsideration and appeal are legitimate tools to limit reviews to substantive issues and to place the burden on the applicant to prove that the decision was incorrect. Suggested grounds for reconsideration and approval include:
 - 5.6.1 Undisclosed conflict of interest on part of an employee and/or board member who was involved in the approval decision.
 - 5.6.2 Review criteria were used that was other than the criteria published in the offering documents or policies and procedures.
 - 5.6.3 Information was withheld from the decision-maker.
 - 5.6.4 New material information that could not have been reasonably presented with the application.
 - 5.6.5 A material mistake or misrepresentation of information that was no fault of the applicant.
 - 5.6.6 Violation of a federal or state regulation, if applicable to the activities of a particular SEF.

NOTE: *These Best Practices were approved by the Pennsylvania Sustainable Energy Board on _____.*

P.O. BOX 212, READING, PA 19603-0212



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