



THE REINVESTMENT FUND
Capital at the point of impact.

The 2014 Annual Report of the Sustainable Development Fund

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I. INTRODUCTION

This 2014 Annual Report was prepared by The Reinvestment Fund (“**TRF**”), the manager of the Sustainable Development Fund (“**SDF**”), to summarize for the Pennsylvania Public Utility Commission the initiatives and accomplishments of SDF in calendar year 2014.

II. ACCOMPLISHMENTS

A. Loans and Investments

TRF closed several energy loans in 2014, but none of these loans used SDF dollars.¹ As noted in prior annual reports, TRF has received other capital for energy lending from the Commonwealth of Pennsylvania (the Pennsylvania Green Energy Loan Fund or GELF), the City of Philadelphia (EnergyWorks), the Bank of America (the Bank of America Energy Efficiency Finance Program), the Kresge Foundation and the City of Baltimore (the Baltimore Energy Initiative Loan Program).² All of this other energy capital had deployment deadlines, unlike SDF’s dollars, so energy projects that could have used SDF dollars were instead financed with other capital sources. SDF dollars will begin to be deployed in energy lending in 2015 because most of these alternative sources have been fully deployed.

B. Core Grants

As reported earlier, the SDF board suspended the core grant program on June 24, 2008. In 2014, SDF approved no new core grants, so the core grant total remains the same as shown in prior reports: 87 core grant applications approved totaling \$1,769,858 in SDF support towards projects with a total value of approximately \$98,406,292. Four of these successful applicants withdrew prior to execution of a grant agreement, leaving 83 projects under executed grant agreements with SDF.

¹ Anyone interested in information about TRF’s energy lending programs and activity is invited to contact Roger Clark.

² TRF has a consistent energy goal for all of these capital pools: projects must satisfy a 25% energy savings, whether the project involves retrofit (25% energy savings from historical consumption), gut rehab (25% less energy use than for existing buildings of the same building usage) or new construction (25% less energy use than the current energy code).

As of December 31, 2014, SDF had paid \$1,312,680 to its 83 core grantees and had made a budget reduction of \$449,678 to the core grant program budget to reflect the four unexecuted agreements and the grants coming in under budget. At the close of 2014, all core grants have been fully disbursed and closed.

III. THE PECO-UNICOM MERGER PROGRAMS

A. The Pennsylvania Wind Development Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$12 million to support new wind development in Pennsylvania.³ SDF has deployed all of these funds except for one open grant to support the project development and public education work of the Renewable Energy Center at Saint Francis University in Loretto, Pennsylvania. In 2014, SDF disbursed \$136,822 to the Renewable Energy Center, leaving a balance of \$83,993 in this grant which continues through June 30, 2015.

B. The Solar Photovoltaic Grant Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$4 million to support solar photovoltaic development in Pennsylvania.⁴ SDF provided solar PV grant to 231 homes and businesses for solar PV installations totaling 917 kW_{DC} of generating capacity.⁵ The final disbursement in the SDF Solar PV Grant Program was made in 2013. SDF had approved enough Solar PV Grant Program applications to deploy the full \$4 million, but quite a few projects failed to be implemented for a variety of reasons, so at the end of 2013, there remained \$290,158 of the original \$4 million that was not deployed.

In 2014, SDF's solar PV activity consisted to two major tasks: the community solar project at The Navy Yard and the registration and sale of Solar Alternative Energy Credits.

Rather than reopen the Solar PV Grant Program to deploy the small balance, the SDF board and staff decided to use this remaining funding to support a proposed 758kW_{DC} community solar project at The Navy Yard in Philadelphia. After several false starts on the project developer, a new developer was selected for this project in 2014 and the SDF Board approved a grant of \$550,000 on November 4, 2014 towards the project. In addition to this grant, SDF will be supporting the project by a \$1,500,000 loan.⁶

³ Please see SDF's annual reports in earlier years for a full discussion of the Pennsylvania wind program and projects.

⁴ Please see SDF's annual reports in earlier years for a full discussion of the solar photovoltaic program and projects.

⁵ SDF also supported three other solar PV installations through two core grants and one loan. The total capacity of these three additional solar projects is 111 kW_{DC}, so in total SDF has supported 1,027 kW_{DC} of solar PV, or just over 1 megawatt of solar generating capacity.

⁶ The loan was approved by TRF on March 19, 2015. Closing on both the grant and the loan is expected in the fourth quarter of 2015.

The other significant activity was the ongoing registration of solar generation from the solar PV systems owned by SDF grantees on PJM's Generation Attributes Tracking System ("GATS") and the sale of those credits. SDF splits the proceeds 50/50 with many of the system owners (while many other owners allow SDF to retain 100% of the proceeds). In 2014, SDF sold 1,100 credits in three separate sales for a total net of commission of \$51,475. As of December 31, 2014, SDF has made a total of 16 sales, selling 3,110 solar credits and netting \$530,954 after commissions. Counting the 16th sale that was made in 2014 but distributed to system owners in early January 2015, SDF has distributed \$165,606 to the participating system owners and has retained \$380,992 which is to be used for the restricted purpose of additional solar support.⁷

Also in 2014 SDF changed how it compensated Ron Celentano for his ongoing solar services. With the conclusion of the SDF Solar PV Grant Program in 2013, Ron's service to SDF is now registering the solar PV output of our grantees on PJM's Generation Attributes Tracking System ("GATS") and selling those credits. Starting on January 1, 2014, Ron's compensation for his services shifted from a consulting contract to a per-credit fee he earns from each sale.

C. The Renewable Energy Public Education Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$2.5 million for public education about renewable energy.⁸ At the beginning of 2014, all of these funds were deployed except for one grant for \$16,599 to Citizens for Pennsylvania's Future for education work and a report on net metering. In 2014, SDF disbursed \$7,984 under this grant, leaving a balance of \$8,615 at the end of the year.⁹

IV. ORGANIZATIONAL ISSUES

A. Board Membership

At the start of 2014, SDF's board of directors had the following members.

- Kurt Bresser, Temple University
- Alan Grant, Keating Environmental Management
- James Harven, Constellation Energy
- Frank Jiruska, PECO
- Albert Koenig, ARB Geowell
- Muscoe Martin, M² Architecture
- Janet Milkman, Delaware Valley Green Building Council

⁷ This income will supplement the balance from the \$4 million merger award for the \$550,000 grant and the \$1,500,000 loan for the Navy Yard community solar project.

⁸ Please see SDF's annual reports in earlier years for a full discussion of the public education program and projects.

⁹ This balance was brought to \$0 with two subsequent payment in the first quarter of 2015.

In 2014, three board members left the SDF board:

- Alan Grant changed jobs and his new employer required him to resign to avoid any appearance of conflict of interest.
- Janet Milkman resigned when she moved out of the region.
- And all of us were saddened when Muscoe Martin died from brain cancer.¹⁰

SDF will fill these vacancies in 2015.

B. SDF Board Meetings

During 2014, the SDF Board met on November 12. At this meeting, the board approved a \$550,000 grant to the Alternative Energy Development Group, the developer of the community solar project at The Navy Yard in Philadelphia. The Board also discussed principles for SDF's future governance and operation.

C. Pennsylvania Sustainable Energy Board

SDF staff participated in the Pennsylvania Sustainable Energy Board 2014 annual meeting, which was held on January 9, 2014.

FINANCIAL REPORT

SDF has received a total of \$31,815,216 from PECO Energy. This figure consisted of eight quarterly payments in 1999 and 2000 from distribution charges that total \$3,335,216 and the lump sum accelerated payment of PECO quarterly payments through December 31, 2006 totaling \$9,980,000. SDF had also received, pursuant to the terms of the PECO Energy/Unicom merger agreement, three installments of \$4,000,000 for the Pennsylvania Wind Development Program (total of \$12,000,000); five annual installments of \$500,000 for public education about renewable energy (total of \$2,500,000); and four annual installments of \$1,000,000 for SDF's solar photovoltaic program (total of \$4,000,000). PECO's financial support of SDF ended with the last payment received on December 31, 2006.

SDF's audited financial statements for the twelve-month period ending December 31, 2014 show total financial income of \$174,624 and net financial income of \$75,242. Operating expenses for 2014 totaled \$146,786 and program costs for 2014 totaled \$156,002. SDF experienced a change in net assets of (\$193,086) for the year.

On December 31, 2014, SDF held \$8,868,768 of funds pending disbursement for its loans in SDF's cash and investment accounts.

As of December 31, 2014, there were \$83,993 of committed but undisbursed Wind Development program funds and \$8,615 of committed but undisbursed Renewable Energy Public Education

¹⁰ See <https://www2.buildinggreen.com/article/muscoe-martin-1955-2014>.

program funds. The December 31, 2014 audited financial statement shows \$290,158 of committed but undisbursed Solar PV Grant Program funds.

Outstanding receivables (loans, energy performance contract leases and outstanding investments in portfolio companies) as of December 31, 2014 totaled \$722,591. SDF's liabilities at December 31, 2014 totaled \$62,903 and were comprised of general accounts payable and accrued expenses of \$15,471, a payable to TRF of \$9,060, grants payable of \$32,316 and amounts payable to third parties of \$6,056.

Audited financial statements for the year ending December 31, 2014 are available upon request by contacting Roger Clark, Fund Manager, Sustainable Development Fund, The Reinvestment Fund, 1700 Market Street, 19th Floor, Philadelphia, PA 19103. He can be reached by email at roger.clark@trfund.com or by telephone at 215.574.5814.

