



REINVESTMENT FUND  
SUSTAINABLE  
DEVELOPMENT FUND

# **The 2017 Annual Report of the Sustainable Development Fund**

*Prepared by:*

Roger E. Clark

Sustainable Development Fund  
Reinvestment Fund  
1700 Market Street – 19<sup>th</sup> Floor  
Philadelphia, PA 19103

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# The 2017 Annual Report of the Sustainable Development Fund

## I. INTRODUCTION

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This 2017 Annual Report was prepared by Reinvestment Fund, 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 2017.

## II. HIGHLIGHTS AND ACCOMPLISHMENTS

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In 2017, SDF elected and the Commission approved a new board for SDF.

After deploying \$6,654,981 in 2016, SDF began 2017 with little available capital for new loans. In 2017, SDF closed one energy loan totaling \$55,000.

Since its inception, SDF has deployed at total of \$48,592,687 towards its mission of supporting renewable energy, energy efficiency and other advanced clean energy technologies as shown on the following table:

Type of Support	# of Closed Transactions	Total \$
Debt Financing	39	\$23,958,839
Equity Investments	6	\$3,788,770
Grants	<u>375</u>	<u>\$20,845,078</u>
<b>TOTALS:</b>	<b>420</b>	<b>\$48,592,687</b>

The total funding SDF received from PECO was \$31,815,216, so the PECO dollars have been fully deployed and are revolving again, as was the original intent.

### III. SDF's FINANCIAL APPROVALS IN 2016

#### A. SDF's Energy Loans and Investments

In calendar 2017, Reinvestment Fund approved and closed one energy loan supported by a total of \$55,000 of SDF funding.<sup>1</sup> This closed loan is listed in the table below:

<b>SDF Energy Loans Closed in 2017</b>			
<b>Borrower</b>	<b>Amount of SDF Funding</b>	<b>Loan Closing Date</b>	<b>Comments</b>
Rittenhouse Claridge CHP - Strategic Finance Group	\$55,000	12/19/17	Add-on financing for the CHP project SDF supported with \$615,000 in late 2015. The new funding was to add a new natural gas line to building so project would qualify for PGW's preferential rate for CHP gas.
<b>TOTALS:</b>	<b>\$55,000</b>		

SDF has one loan that has been approved but did not close in 2017 and that was the financing for the second phase of the Navy Yard community solar project, where the developer is still working with PIDC to find a site for the additional solar photovoltaic system.

<b>SDF Energy Loans Approved but Not Closed in 2017</b>		
<b>Borrower</b>	<b>Amount of SDF Funding</b>	<b>Comments</b>
Navy Yard Community Solar Project (Phase 2)	\$450,000	For 325 kW Phase 2 (750 kW total) of a community solar PV system with virtual net metering of output to Navy Yard tenants and a cost-of-service study of local distribution impacts.
<b>TOTALS:</b>	<b>\$450,000</b>	

At the end of 2017, Reinvestment Fund was working on five loan requests for energy projects that total \$9.6 million. Whether these loans are closed with SDF capital depends on several factors, including the location of the project, the project's energy savings, the availability of energy capital in our other programs, etc.

SDF is no longer making equity investments in projects or companies, so no new equity transactions were closed or approved in 2017.

<sup>1</sup> As noted in earlier annual reports, Reinvestment Fund 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, the City of Baltimore (the Baltimore Energy Initiative Loan Program), the CDFI Fund Bond Guaranty Program and its own core dollars. In 2017, Reinvestment Fund closed on \$10 million of funding from Met Life Insurance Company for clean energy work. In addition to the energy loan closed with SDF capital, Reinvestment Fund closed an additional \$7,624,641 of energy loans in 2017 using these other energy capital sources. Since the beginning of its clean energy financing in 1993, Reinvestment Fund has deployed \$115 million in total for energy efficiency, renewable energy and other clean energy projects.

## B. SDF's Energy Grants

In 2017, SDF did not award any new energy grants. At the SDF board meeting on October 30, 2017, the board tentatively agreed to allocate approximately \$200,000 for grants in 2017, pending the end-of-year financial report showing program income sufficient to support this level of grantmaking. The board will be finalizing the grantmaking decision in early 2018.

## IV. 2017 FINANCIAL DISBURSEMENTS

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### A. SDF's Energy Loans and Investments

In 2017, SDF made the following disbursements on its energy lending:

<b>SDF Energy Loans Disbursed in 2017</b>			
<b>Borrower</b>	<b>Amount Disbursed</b>	<b>Loan Closing Date</b>	<b>Comments</b>
Strategic Finance Group – Rittenhouse-Claridge CHP	\$184,287.33	12/10/15	For a 225 kW Combined Heat and Power system in a 242 apartment multi-family residential building in Philadelphia.
Keystone Academy	\$63,717.50	04/07/16	Full range of energy measures in the gut rehab of an existing historic school building in Philadelphia (the Mary Disston School) and the new construction of a classroom wing.
Aloft Hotel	\$100,000.00	04/26/16	For energy measures in the gut rehab of a former office building into a hotel.
Navy Yard Community Solar Project (Phase 1)	\$647,068.98	12/28/16	For a 490 kW Phase 1 (750 kW total) of a community solar PV system with virtual net metering of output to Navy Yard tenants and a cost-of-service study of local distribution impacts.
<b>TOTAL:</b>	<b>\$995,073.81</b>		

In 2017, SDF made no disbursements on any equity investments.

## B. SDF's Energy Grants

In 2017, SDF made no disbursements on any energy grants.

## V. THE PECO-UNICOM MERGER PROGRAMS

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As of December 31, 2015, SDF had disbursed all of the funding received from the PECO-Unicom merger for wind (\$12,000,000), solar (\$4,000,000) and public education (\$2,500,000). These three

“Temporarily Restricted” accounts are now closed and all SDF funds now appear as “Unrestricted but Contractually Limited as to Use.”

Please see the SDF annual reports from 2015 and earlier years for information about this \$18.5 million of funding and support for renewable energy.

## **VI. FINANCIAL REPORT**

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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 unaudited financial statements for the twelve-month period ending December 31, 2017 show total financial income of \$375,273 and net financial income of \$427,913. Operating expenses for 2016 totaled \$4,783, consisting mostly of the SDF portion of the financial audit (\$3,830).

On December 31, 2017, SDF held \$1,689,093 of funds in SDF’s cash and investment accounts available for lending. This is up from the \$91,370 figure at the end of 2016.

Outstanding receivables (loans, energy performance contract leases, net of allowance for losses) as of December 31, 2017 totaled \$8,294,179, of which \$764,879 were current assets and \$7,529,300 are non-current assets. Total assets on December 31, 2017 were \$9,668,226. SDF’s liabilities at December 31, 2017 totaled \$59,071. As of December 31, 2017, SDF’s net assets totaled \$9,609,155, an increase of \$425,036 over 2016’s figure.

Audited financial statements for the year ending December 31, 2017 will soon be available and will be shared with the Commission. The audited financial statements will be available upon request by contacting Roger Clark, Fund Manager, Sustainable Development Fund, Reinvestment Fund, 1700 Market Street, 19<sup>th</sup> Floor, Philadelphia, PA 19103. He can be reached by email at [roger.clark@reinvestment.com](mailto:roger.clark@reinvestment.com) or by telephone at 215.574.5814.

## **VII. SDF BOARD ORGANIZATIONAL ISSUES**

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SDF began 2017 with but four of its previously-elected board members: Kurt Bresser (Temple University), James Harven (The Efficiency Network), Frank Jiruska (PECO) and Albert Koenig (ARB Geowell).

On March 3, 2017, SDF issued a board nomination announcement to replace these board members and to bring the board up to at least seven members. Nominations were due April 7, 2017 and ten

applications were received. The SDF board interviewed the candidates and on May 17, 2017, the board held a board meeting at which they voted to approve nine new board members:

- Alex Dews (Green Building United)
- Michael Freeman (Emerald Energy Consulting)
- Matthew Madia (Bridgeway Capital)
- Sonny Popowsky (retired PA Consumer Advocate)
- Richard Schlesinger (PECO)
- Christine Simeone (Kleinman Center for Energy Policy)
- Sidharth Singh (Strategic Finance Group)
- Lori Van der Voort (PWI Engineering)
- Sherif Youssef (Philadelphia Gas Works)

On June 21, 2017, SDF staff petitioned the Commission for approval of the new board, which the Commission did on in an order issued July 12, 2017.

The new board held its first board meeting in 2017 on October 30, 2017.



## The 2017 Annual Report of the Sustainable Development Fund Addendum

### 1. Administrator's Expenses for SDF in 2017

<b>SDF's Administrative Expenses for 2017</b>	
Staff salary/benefits	-
Occupancy	-
Professional Services (financial audit)	\$3,830
General & Administrative	\$953
Allocated Support	-
<b>TOTAL:</b>	<b>\$4,783</b>

### 2. Loans, Equity Investments and Grants Approved by SDF in 2017

<b>SDF Approvals in 2017</b>		
Type	Number	Dollar Value
Loans	1	\$55,000
Equity investments	-	-
Grants	-	-
<b>TOTALS:</b>	<b>1</b>	<b>\$55,000</b>

### 3. Loans, Equity Investments and Grants Closed/Executed by SDF in 2017

<b>SDF Loan Closings and Grants Executed in 2017</b>		
Type	Number	Dollar Value
Loans	1	\$55,000
Equity investments	-	-
Grants	-	-
<b>TOTALS:</b>	<b>1</b>	<b>\$55,000</b>

### 4. Loans, Equity Investments and Grants Disbursed by SDF in 2017

<b>SDF Dollars Disbursed in 2017</b>		
Type	Number	Dollar Value
Loans	4	\$995,074
Equity investments	-	-
Grants	-	-
<b>TOTALS:</b>	<b>4</b>	<b>\$995,074</b>

### 5. The Year-End Fund Balance (Net Assets)

<b>\$ 9,609,155</b>
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