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LEGAL CONSULTING

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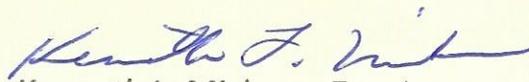
Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

Re: 2018 PA SEB Annual Report
Docket No. M-00031715 F0003 – Sustainable Energy Fund

Dear Secretary Chiavetta:

Enclosed for filing with the Commission is the Sustainable Energy Fund's 2018 PA SEB Annual Report. Please contact me if you have any questions.

Sincerely,


Kenneth L. Mickens, Esquire

Attorney for the Sustainable Energy Fund

KLM/bls
Enclosures

SUSTAINABLE ENERGY FUND

(PPL Service Territory)

PA SEB 2017 ANNUAL REPORT

<http://www.theseef.org>

INTRODUCTION

The Sustainable Energy Fund (SEF) is an independent, nonprofit 501(c)(3) corporation that assists energy users to strive for a future where energy is harvested, converted, distributed, and utilized in a manner that allows all to meet their energy needs without compromising the ability of future generations to meet their needs.

SEF was founded in 1999 through a settlement approved by the Pennsylvania Public Utility Commission during the state's electric deregulation proceedings. Since then, SEF has been a leading financier of sustainable energy projects and has expanded its services to include sustainable energy education to increase the knowledge of and passion for sustainable energy among the leaders of today and tomorrow.

The organization continues to engage in sustainable energy awareness efforts, provide sustainable energy education and intervene in regulatory proceedings that impact energy conservation, energy efficiency or renewable energy.

SEF works with all types of entities including small businesses, municipalities, school districts, non-profits, farmers, manufacturing facilities, warehouses, and transportation companies to reduce the consumption of energy from non-sustainable resources. SEF works with energy users, educators, consumers, and regulators to achieve these reductions by reducing or removing the financial, educational, and regulatory barriers that prevent these organizations from generating energy from renewable resources and implementing improvements in the efficiency of energy utilization as well as reducing energy consumption through behavioral changes.

SEF remains dedicated to helping energy users make informed decisions and to financially supporting projects that meet specific criteria. SEF is consistent and transparent in its financial reporting and execution of operations.

HIGHLIGHTS AND ACCOMPLISHMENTS

Educational Initiatives

SEF funds a variety of educational initiatives that raise public awareness of sustainable energy as well as provide topic-specific training for energy users, educators, and students. Sustainable Energy Fund's educational programs seek to create a passion for and knowledge of sustainable energy in the leaders of

today and tomorrow. Literacy in both energy and sustainability is crucial to the understanding and application of knowledge in making sound sustainable energy-related decisions. In 2018, SEF's educational programs included Energypath, Solarize Workshops, and public outreach.

Energypath 2018 at DeSales University, Center Valley, PA

Energypath 2018 was held July 23– July 26, 2018, at the DeSales University in Center Valley, Pennsylvania. The theme for this year's event was Grid Integration. A total of 124 energy camp scholarships were provided to students and educators. For the conference portion of the event, more than 300 people were in attendance.

The pre-conference energy camps brought the industry's top sustainable energy trainers to lead hands-on educational sessions. Topics for these sessions included Introduction to Sustainable Energy, Solar Photovoltaic, and Wind Power Generation. Each energy camp provided information on the science behind the technology, hands-on experience where possible, interaction among participants, and information on the regulatory events affecting the industry.

The Energypath conference included a variety of speakers from Lehigh University, PPL, PECO, Exelon, EnerSys, and PJM. The day opened with a presentation by Dr. Rudy Shankar on "Integration Considerations for the 21st Century Grid: Challenges and Opportunities". The lunch session presented by Kenneth Schuyler from PJM focused on the "Integration of Renewables to the PJM Grid." To close the conference, Pennsylvania DEP Secretary Patrick McDonnell and PUC Chairman Gladys Brown addressed the audience.

Additionally, SEF hosted a middle school and high school science fair at the conference with the generous support of Community Energy. Students from Pennsylvania and surrounding states participated in the Sustainable Energy Science Fair, presenting a poster board and research data to explain their project topic and findings. These projects were evaluated for creativity, scientific thought, clarity, and skill. The winning middle school project was "Stepp and Save," and the winning high school project was "RMPC: A Novel Cost-Effective Approach to Raising Photovoltaic Efficiency Through Tunable Plasmonic Nanostructures."

This year's Epstein Lifetime Achievement Award was given to Mr. Craig Onori for a lifetime of work in moving society towards a sustainable energy future.

Educational Outreach

As part of the educational outreach initiative for 2018, SEF provided expert speakers to community organizations for participation in panel and conference breakout sessions. SEF also exhibited at 14 events and conferences such as the Pennsylvania Farm Show, Greater Lehigh Valley Chamber of Commerce Energy and Environment Conference, and MABEX.

Regulatory Monitoring

In addition to engaging in sustainable energy awareness efforts providing sustainable energy education, SEF intervenes in regulatory proceedings that impact energy conservation, energy efficiency, or renewable energy. SEF continues to represent ratepayers' interests in sustainable energy proceedings before the Public Utility Commission.

Program Related Investments

SEF's financial programs seek to aid energy users in overcoming financial barriers through a variety of self-sustaining financial tools such as loans, leases, energy savings agreements, power purchase agreements, and equity investments. Each investment must fit SEF's mission and meet minimum financial requirements.

Through the Non-Profit Energy Savings Agreement program, SEF provides nonprofits with a no-cost introductory energy audit. For larger facilities, these audits are performed at no cost through SEF by a qualified professional engineering firm.

Over the past year, SEF committed to funding projects totaling \$11,887,696.56.

Non-Profit Energy Makeover

The Non-Profit Energy Makeover was a contest hosted by SEF to provide a non-profit with an energy makeover. The contest started in January 2017 and the winners were chosen in July 2017 by the Board of Directors. The Board was so impressed by the participants that it granted two energy makeovers instead of the planned single makeover. The winning participants were New Bethany Ministries and Lehigh County Humane Society. The makeover for New Bethany Ministries occurred in October of 2017 while the makeover for the Lehigh County Humane Society kicked off in January 2018. During the makeover at Lehigh County Humane Society, Staff, contractors, and volunteers installed a solar photovoltaic system, replaced the lighting with LED lights, removed an old hot water pressure washer and replaced it with a condensing water heater, and weatherized the house on site that serves as offices.

Solarize Lehigh Valley

During 2018, SEF created and launched a Solarize campaign for the Lehigh Valley. SEF Staff participated in 47 community events promoting the Solarize campaign and received 305 sign-ups which were then turned over to a solar contractor for evaluation and potential installation.

Commercial Property Assessed Clean Energy Financing (C-PACE)

SEF led an effort in partnership with the Keystone Energy Efficiency Alliance, Philadelphia Energy Authority, and the City of Pittsburgh Sustainability and Resilience Division to develop C-PACE in a box. In June of 2018, Governor Wolf signed ACT 30 enabling C-PACE programs in the state of Pennsylvania. SEF

sponsored multiple conference calls and three stakeholder sessions attracting more than 130 participants. The first stakeholder session on Program Design was held in Pittsburgh at Carnegie Mellon University, the second session on funding and finance was held in Center City Philadelphia, and the third session on Marketing and Outreach was held at the Department of Environmental Protection in Harrisburg. Additionally, SEF hired a consulting team representing the C-PACE industry to assist in developing guidelines and the legal documents required for Counties to enact C-PACE legislation. SEF publicly released draft program guidelines on December 18, 2019. SEF presented the completed C-PACE in a box at the County Commissioners Association conference on March 22, 2019.

Financial Approvals

Project Title	Amount of Funding	Comments
Radio Road Associates	\$84,126.56	Renewable Energy
Sunvestment Energy Group	\$2,545,100	Renewable Energy
RER Albright PPA	\$364,320	Renewable Energy
RER SMA PPA	\$127,619	Renewable Energy
St. Titus Roman Catholic Church	\$30,000	Energy Efficiency
CAN DO, Inc.	\$150,000	Energy Efficiency
Gardner's Mattress and More	\$9,170	Energy Efficiency
National Energy Improvement Fund LLC	\$500,000	Equity
Mutzabaugh's Market	\$44,755	Energy Efficiency
Pike County Public Library	\$27,660	Energy Efficiency
CES Community Solar Gardens 2, LLC	\$4,586,400	Renewable Energy
Kraybill Mennonite School	\$36,650	Energy Efficiency
Cima Network	\$35,875	Energy Efficiency
Holy Guardian Angels School	\$1,635	Energy Efficiency
Bedford 58 Solar, LLC	\$2,000,000	Renewable Energy
Bedford 57, LLC	\$1,345,481	Renewable Energy
Total	\$11,887,696.56	

Disbursements

Project Name	Type of Funding	Amount	Approval Date	Comments
Laura Blau and Paul Thompson	Loan	\$59,827	11/1/2016	Passive House
Holy Guardian Angels School	Energy Savings Agreement	\$70,466.82	6/9/2017 10/16/2018	Energy Efficiency
Gardner's Mattress & More	Loan	\$9,710	4/18/2018	Energy Efficiency
CAN DO, Inc.	Loan	\$150,000	4/6/2018	Energy Efficiency
Pike County Public Library	Loan	\$27,660	6/19/2018	Energy Efficiency
Ursinus College	Loan	\$395,038.19	11/15/2017	Energy Efficiency
Solar Sense PA II, LLC	Loan	\$1,000,000	5/2/2017	Renewable Energy
CES Community Solar Gardens 2, LLC	Loan	\$4,460,400	7/26/2018	Renewable Energy
Radio Road Associates	Loan	\$84,126.56	1/2/2018	Renewable Energy
National Energy Improvement Fund LLC	Equity	\$500,000	5/10/2018	New Residential Energy Efficiency Lender
Total		\$6,757,228.57		

Energy Service Provider Network. To locate and develop projects, SEF has created a network of service providers who work in the renewable energy/energy efficiency field. Communication via the network allows SEF to develop financial tools and products to assist the project owner in meeting their funding needs. In 2018, SEF held a two-day mini-conference focused on improving the operations of these sustainable energy businesses and familiarity with SEF's services.

GREEN CONNEXIONS

Green Connexions, Inc. is a for-profit C corporation owned by SEF. The mission of Green Connexions is to provide products and services through renewable energy and energy efficiency ventures. Profits from Green Connexions are used in support of SEF to help sustain its mission. In 2018, Green Connexions, through its subsidiary Sustainable Energy Systems, maintained a limited solar thermal leasing program.

BOARD ACTIVITIES

At SEF's 2017 Annual Meeting in October 2017, Mr. Robert Thomson was elected as SEF's Chairman of the Board. Additionally, Ms. Linda Evers was elected as Vice Chairman and William DeFalco was elected Secretary/Treasurer.

The SEF Board reviews governance, policy, and structure. There are three standing committees: Finance, Human Resources, and Program Related Investments. The Finance Committee also functions as the Board Audit Committee and the Board Investment Committee. During 2017, the Board had eight meetings as well as various meetings of the Finance, HR and PRI committees. As of December 31, 2018, the SEF Board of Directors consisted of:

- Robert Thomson, Chairman
- Linda Evers, Vice Chairman
- William DeFalco, Secretary/Treasurer
- Jocelyn Cramer, Director
- Larry Eighmy, Director
- Brandi Snyder, Director

FINANCIAL REPORT

As of December 31, 2006, SEF no longer receives funding from the PPL ratepayers. SEF is funded via the program-related investments and the endowment fund.

For the year ending December 31, 2018, SEF's internal financial statements showed a total income of \$720,477 and a total expense of \$1,486,910. Taking into account dividends, interest, unrealized gains (losses), bad debt expense and loan loss allowance resulted in a net income of \$(1,082,548). The 2018

Balance Sheet reports total assets at \$20,896,579, which includes program loans of \$9,263,118, equity investment of \$917,000, and Energy Savings Agreements of \$1,514,643 with total liabilities of \$556,063. Audited financial statements for the year ending December 31, 2018, are available upon request by contacting Sally Kratz, Accountant, Sustainable Energy Fund, 4110 Independence Dr. Ste 100, Schnecksville, PA 18078.

ADDITIONAL INFORMATION

Sustainable Energy Fund is an independent, self-governing organization that does not pay an annual fee for management services. The Fund tracks expenses in three categories: Operations, Financial Services, and Educational Services. Financial Services and Educational Services represent the majority of program-related expenses. Operational expenses include administrative costs, information technology, facility costs, dues, and memberships, as well as a portion of marketing and labor expenses. Operational expenses for 2018 totaled \$416,801.

During the 2018 calendar year, Sustainable Energy Fund approved 124 attendance scholarships to the Energypath conference and the Lehigh County Humane Society Non-Profit Makeover, which are recorded as program expenses.