

Pennsylvania
Sustainable Energy Board

2009-2010 Annual Report

Table of Contents

Foreword.....3

Metropolitan Edison Company Sustainable Energy Fund and
Pennsylvania Electric Company Sustainable Energy Fund.....10

Sustainable Development Fund (PECO Energy).....21

Sustainable Energy Fund (PPL Electric).....41

West Penn Power Sustainable Energy Fund.....59

FOREWORD

This Pennsylvania Sustainable Energy Board (PASEB) report provides a review of the activities of the regional sustainable energy funds (Regional Funds) during 2009 and 2010. It is our intention that future reports will be completed in the fall of each year to cover activity from the previous calendar year.

Collectively, the Regional Funds loaned nearly \$5.2 million and provided over \$1.25 million in grants and strategic investments in 2009. In 2010 the funds loaned nearly \$11.4 million and provided over \$1.37 million in grants and strategic investments. Since their inception in 1999, the Regional Funds have led and continue to lead in the development of, and investment in, clean energy technologies including but not limited to wind, anaerobic digesters, fuel cells, and solar. In addition to clean energy technologies, the focus of the Regional Funds also includes energy efficiency and demand resources.

The Regional Funds are primarily public finance entities which make loans, investments, and grants for the benefit of ratepayers and the Commonwealth. Three of the four Regional Funds; the Metropolitan Edison/Pennsylvania Electric Company Sustainable Energy Fund (Met-Ed/Penelec SEF), the Sustainable Energy Fund (SEF), and the Sustainable Development Fund (SDF), have ceased receiving ratepayer funding. The West Penn Power Sustainable Energy Fund (WPPSEF) is scheduled to receive its last payment January 2012. The challenge/opportunity for these funds is to meet their fund mission and to remain financially sustainable or to plan an exit strategy.

BACKGROUND

The electric utility industry restructuring process in Pennsylvania brought together stakeholder groups representing residential consumers, large commercial and industrial customers, environmental parties and other interested participants. These groups contributed to the development of the restructuring settlements for Metropolitan Edison Company and Pennsylvania Electric Company (Met-Ed and Penelec)¹, PECO Energy Company (PECO), PPL Electric Utilities Inc. (PPL) and West Penn Power Company (WPP). These settlements provided new opportunities for renewable and sustainable energy production services and enterprises.

¹ While Met-Ed and Penelec represent different service territories and in fact, have separate boards of directors and administrators, for purposes of this report and in other matters, they are considered a single regional fund. For example, they share the same governing bylaws and they are entitled to only one seat on the PASEB.

Specifically, each of the four settlement agreements established a separate and independent sustainable energy fund to promote:

- The development and use of renewable energy and clean energy technologies,
- Energy conservation and energy efficiency,
- Renewable energy business support, and
- Projects which improve the environment in the companies' service territories, related to the transmission and distribution facilities (Met-Ed and Penelec only).

FUNDING

Under terms of the settlements, approximately \$55 million was collected through these companies' distribution rates to promote the development of sustainable and renewable energy technologies. The SDF (in PECO Energy's territory) received an additional \$18.5 million in funding over a five-year period as a result of the PECO/Unicom merger. On June 14, 2001, the Commission approved the merger of GPU Energy and FirstEnergy. As a result of that merger settlement, the Met-Ed and Penelec funds received an additional \$5 million (\$2.5 million each) in funding.

REGIONAL BOARD ADMINISTRATION

The settlements provided that a seven-member board, nominated by the parties to the agreements and approved by the Commission, would manage each fund. The board for each fund drafted bylaws that address the responsibilities and powers of the Board and the fund administrators. The bylaws require that directors represent a cross-section of interests: the financial community, consumers, environmental interests, business and industry, Electric Distribution Companies (EDCs) and Electric Generation Suppliers (EGSs). The bylaws also address project selection and the funds' investment strategies.

The Commission approved the initial individual bylaws for each Regional Fund on the following dates:

- SDF - December 2, 1999,
- Met-Ed/ Penelec SEF - January 27, 2000,
- SEF - June 2, 2000, and
- WPP SEF - June 2, 2000.

REGIONAL FUND ADMINISTRATORS

- Berks County Community Foundation (Met-Ed),
- Community Foundation of the Alleghenies (Penelec),
 - Met-Ed and Penelec follow the same funding approach and guidelines,
- The Reinvestment Fund - Sustainable Development Fund (PECO),

- The Sustainable Energy Fund (PPL), and
- The Energy Institute of Penn State University (West Penn Power).

The Regional Fund Administrators charge an annual fee for their services. These services and fees vary by Regional Fund and contract. An explanation of how the fees are calculated and a breakdown of the various fees are listed below:

Met-Ed/Penelec Sustainable Energy Fund

- The Met-Ed/Penelec Sustainable Energy Fund has operated through June 30, 2011 with a fee of 1.5% of total assets, assessed on a quarterly basis. This fee was established as being consistent with fee schedules of the Berks County Community Foundation and the Community Foundation for the Alleghenies, respectively. After a review of the Fund's activities and the capacity of other similar programs (at its May 24, 2011 meeting), the board recommended and approved adjusting the fee to 2.3% to provide increased capacity on the part of the Fund to provide additional support for staff for existing programmatic responsibilities; increased communication sophistication; and expansion of programmatic and communications activities. This was approved for the period beginning July 1, 2011 and is currently in place.
 - Berks County Community Foundation (Met-Ed)
 - Fees for 2009 were \$112,544.
 - Fees for 2010 were \$103,159.
 - Community Foundation of the Alleghenies (Penelec)
 - Fees for 2009 were \$114,049.
 - Fees for 2010 were \$121,193.

The Sustainable Development Fund (PECO)

- The administrative costs of the Sustainable Development Fund are set each year in the annual budget which is approved by the SDF board of directors. The administrative costs are a combination of staff time, direct expenses and indirect expenses (such as a pro-rata share of rent and other operating costs). The administrative budget request is discussed by TRF, the finance committee and the full SDF board and then approved by the SDF board.
 - Fees for 2009 were \$578,413.
 - Fees for 2010 were \$412,470.

The Sustainable Energy Fund (PPL)

- The Sustainable Energy Fund is an independent self-governing organization which does not pay an annual fee for management services.

The Energy Institute of Penn State University and the Economic Growth Connection of Westmoreland (West Penn)

- The West Penn Power Sustainable Energy Fund (WPPSEF) administrative support is provided by Penn State and the Economic Growth Connection of Westmoreland. In the fourth quarter of each year, Penn State and the Economic Growth Connection prepare an annual operating budget projection for the upcoming year. The operating budget is part of the WPPSEF annual strategic planning process. Each year, through an external certified audit process, WPPSEF reports its administrative costs to the Pennsylvania Public Utilities Commission. WPPSEF defines its administrative costs as being those out-of-pocket costs associated with Penn State, Economic Growth Connection, and various expenses associated with conducting meetings as well as legal and insurance expenses. The WPPSEF actual administrative costs for 2009 and 2010 are listed as fees below. These costs represent 1.94% and 1.86% of WPPSEF net assets for the years 2009 and 2010, respectively.
 - Fees for 2009 were \$314,519.
 - Fees for 2010 were \$343,187.

The Regional Funds' boards meet on a regular basis, with Commission staff attending as liaisons. The boards are required to submit annual reports to the Commission on the activities, expenditures and investments of the Regional Funds.

STATEWIDE ACTIVITIES

By Commission Order dated July 1, 1999, the PASEB was created to "provide oversight, guidance and technical assistance to the regional boards". Statewide coordination of the Regional Funds was viewed as essential to establish Pennsylvania as a leader in renewable energy technologies. In its Order, the Commission noted that the success of the renewable power initiative required a partnership between the regions and the state. The Commission held that the PASEB should operate in conjunction with the Regional Funds in identifying opportunities, prioritizing objectives and developing an outreach plan to garner further support for the initiatives.

On August 7, 2003, the Commission adopted an Order further defining the role of the PASEB. The Commission directed the PASEB to hold annual meetings, establish bylaws and develop a "best practices" business model for each of the Regional Funds. The Order also modified the reporting obligations of the Regional Funds.

In addition to the Commission designee, the PASEB members include a board member of each of the four Regional Funds, as well as designees for the Department of Environmental Protection (DEP), Department of Community and Economic Development (DCED), Office of Consumer Advocate (OCA), and Pennsylvania Environmental Council.

The PASEB held annual meetings in Harrisburg on January 21, 2010 (for 2009) and December 7, 2010. The purpose of the meetings was to address the PASEB's obligation to complete the Fund's best practices. Best practices were agreed upon and finalized at the 2010 annual meeting. Additionally, the PASEB has addressed issue of alternative compliance payments stemming from AEPS.

In addition to the PASEB meeting, the Regional Funds met as a group in 2009 on February 25 in New Kingston, November 2 in Reading and on December 4 in Fogelsville and in 2010 on March 5 in Grantville. The meetings are an essential means of discussing projects of mutual interest and better coordinating future activities.

2009 APPROVALS OF REGIONAL FUNDS

The following table summarizes the Regional Funds' approvals of loans and grants for 2009. As shown, the Regional Funds approved slightly more than \$6.4 million in support of renewable energy activities. Approximately \$5.2 million was distributed in the form of loans and over \$1.26 million was provided in grants. During 2009 the Met-Ed/Penelec SEF included an 'equity' investment as a category of financial approval. This category was not used by the other funds during 2009. In the following table, Met-Ed/Penelec SEF's 'equity' investment was added to their loans and reported as such. (In 2009 Met-Ed/Penelec SEF equity investment totaled \$100,000 and loans totaled \$1,125,000.) The West Penn Power SEF includes 'strategic initiatives' as a category of financial approval. This category was not used by the other funds. In the following table, West Penn Power's strategic initiative financial approval was added to their grants and reported as such. (In 2009 WPP SEF strategic initiative approval totaled \$750,000 and grants totaled \$124,650.)

2009 Approvals

FUND	LOANS	GRANTS	TOTAL
Met-Ed/Penelec SEF	\$1,225,000	\$156,000	\$1,381,000
SDF (PECO)	2,818,557	7,500	2,826,057
SEF (PPL)	654,476	227,840	882,316
West Penn Power SEF	500,000	874,650	1,374,650
TOTALS	\$5,198,033	\$1,265,990	\$6,464,023

END OF 2009 REGIONAL FUND BALANCES

The following table presents the Regional Fund balances as of the end of 2009. These balances were calculated based upon the Regional Funds' annual audits and the commitments that are tracked. Certain balances do not include long-term staffing expenses and leases. Finally, some of the balances do not include tentative grant commitments that have been made but not disbursed.

2009 Fund Balances

Fund	Balance (12/31/2009)
Met –Ed SEF	\$7,060,932
Penelec SEF	8,002,683
SDF (PECO)	11,258,556
SEF (PPL)	20,098,760
West Penn Power SEF	16,615,301

2010 APPROVALS OF REGIONAL FUNDS

The following table summarizes the Regional Funds' approvals of loans and grants for 2010. As shown, the Regional Funds approved slightly more than \$12.7 million in support of renewable energy activities. Approximately \$11.4 million was distributed in the form of loans and over \$1.37 million was provided in grants. The West Penn Power SEF includes 'strategic initiatives' as a category of financial approval. This category is not used by the other funds. In the following table, West Penn Power's strategic initiative financial approvals have been added to their grants and reported as such. (In 2010 WPP SEF strategic initiative approvals totaled \$420,000 and grants totaled \$339,450.)

2010 Approvals

FUND	LOANS	GRANTS	TOTAL
Met-Ed/Penelec	\$1,100,000	\$194,640	\$1,294,640
SDF (PECO)	800,000	200,000	1,000,000
SEF (PPL)	8,359,619	220,964	8,580,583
West Penn Power SEF	1,100,000	759,450	1,859,450
TOTALS	\$11,359,619	\$1,375,054	\$12,734,673

END OF 2010 REGIONAL FUND BALANCES

The following table presents the Regional Fund balances as of the end of 2010. These balances were calculated based upon the Regional Funds' annual audits and the commitments that are tracked. Certain balances do not include long-term staffing expenses and leases. Finally, some of the balances do not include tentative grant commitments that have been made but not disbursed.

2010 Fund Balances

<u>Fund</u>	<u>Balance (12/31/2010)</u>
Met –Ed SEF	\$7,286,958
Penelec SEF	8,520,930
SDF (PECO)	11,204,334
SEF (PPL)	20,486,815
West Penn Power SEF	18,506,540

METROPOLITAN EDISON COMPANY/PENNSYLVANIA ELECTRIC COMPANY SUSTAINABLE ENERGY FUND

2009 - 2010 UPDATE

<http://www.bccf.org/pages/gr.energy.html>

INTRODUCTION

From January 1, 2009 to December 31, 2009 the Metropolitan Edison Company/Pennsylvania Electric Company Sustainable Energy Fund (Met-Ed/Penelec SEF) approved financing totaling \$1,381,000.

From January 1, 2010 to December 31, 2010 the Met-Ed/Penelec SEF approved financing totaling \$1,294,640.

The Met-Ed SEF's marketing/networking activities included the fund's website, through the Berks County Community Foundation's website (www.bccf.org)

The Penelec SEF's marketing/networking activities included the fund's website, through the Community Foundation for the Alleghenies website (www.cfalleghenies.org)

These websites are an essential means of distributing information regarding the Met-Ed/Penelec SEF. The website contains information about financial products, program offerings, application request forms, background information, reports and links to related websites.

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

During the time period January 1, 2009 to December 31, 2009, Met-Ed/Penelec's staff participated in numerous conferences and meetings as speakers and active participants to raise awareness of Met-Ed/Penelec's SEF activities, including:

- Participation in PennFuture events;
- Board membership in the Green Building Association of Central Pennsylvania, Pittsburgh Green Building Alliance/Laurel Highlands Affiliate Steering Committee, LEED workshops and tours and Smart Growth Alliance;
- Sustainable Pittsburgh and Sustainable Business Network;
- Programs and activities of Funders Network for Smart Growth;
- Alternative energy meeting of the Southern Alleghenies Planning and Development Commission;
- Participation in the development of alternative energy ordinances for municipalities;
- Participation in the Laurel Highland Conservation Coalition; and
- Member of the regional advisory board of Ben Franklin Technology Partners.

2009 FINANCIAL APPROVALS

Grants

Project	Amount	Comments	Date
Pittsburgh Zoo and PPG Aquarium	\$10,000	Biomass Burner at Somerset ICC	1/15/09
BosWell Pharmacy Services	6,000	Renewable Energy Building Restoration	1/16/09
Mission Critical Solutions, LLC	25,000	Electric Utility Vehicle Project	1/16/09
Conservation Consultants, Inc.	60,000	Solar Technician/Installer Training Program	3/5/09
Own Energy Landowners Group	5,000	Development of a Community Wind Site	7/9/09
Johnstown Area Heritage Association	25,000	Johnstown Stone Bridge LED Lighting Project	8/14/09
Pittsburgh Gateways Corp	25,000	eCap Network Business Plan for MetEd/Penelec Territory	8/14/09
Total	\$156,000		

Loans

Project	Amount	Comments	Date
Berks County Community Foundation	\$500,000	Green Building Loan	8/3/09
eCap network	300,000	Energy Efficiency Program	8/3/09
First Nation Wood Pellets	224,000	Biomass	10/2/09
Lacey Electric	101,000	Solar Energy Installation	12/17/09
Total	\$1,125,000		

Equity

Project	Amount	Comments	Date
eCap	\$100,000	Energy Efficiency Program	8/3/09
Total	\$100,000		

From inception through 2009, the Met-Ed/Penelec SEF approved 93 grants totaling \$1,855,827.30; 40 loans totaling \$17,542,553; and three equity investments totaling \$1,600,000. The fund denied 38 grant requests, 24 loan requests and 6 investment opportunities. Denials occurred because the proposed projects did not meet the Regional Fund's mission or had technological, financial and/or market difficulties.

To review the annual audit of Berks County Community Foundation and/or the Community Foundation for the Alleghenies, please visit the respective websites. If you would like a written copy of the audit, contact Richard Mappin at Berks County Community Foundation at 610-685-2227, or Michael Kane at Community Foundation for the Alleghenies, 814-536-7741.

2009 BOARD ACTIVITIES

The Met-Ed/Penelec SEF Advisory Committee consists of seven members, whose two-year terms are staggered so the terms of approximately half of the members end each year. Current members can run for re-election.

The Advisory Committee Members for January 1, 2009 through December 31, 2009 were as follows:

John Ubinger, Chair	Representing Environmental Groups	Term Expires 7/15/2011
Charles Mowbray	Representing First Energy	Term Expires 4/1/2010
Peter Tarapchak	Representing Industrial User Groups	Term Expires 4/1/2010
Samuel Hepfer	Representing Weatherization Groups	Term Expires 4/1/2010
Derick James	Representing Commercial User Groups	Term Expires 7/15/2011
Edward Miller	Representing Commercial User Groups	Term Expires 7/15/2011
Brian Vayda	Representing Independent Power	Term Expires 4/1/2010
Timothy Burdis	Representing Producer Groups	Term Expires 4/1/2010
Frank Plank	Representing Industrial User Groups	Term Expires 4/1/2010

Met-Ed/Penelec's staff and board members continued to play an active role in PASEB activities, including meetings and conference calls.

REVIEW OF TECHNOLOGIES AND SAMPLE OF MET-ED/PENELEC SEF IMPLEMENTED PROJECTS

(L/I Loan or Equity Investment)

Tier I

- **Solar Photovoltaic**
 - Silicon cell panels – Hundredfold Farm and French Creek Ridge
 - Printed electronics – Plextronics
 - Solar installer training – Conservation Consultants
 - Solar cell panels – Lacey Electric
 - Total \$83,658 Grants \$881,000 Loans/investments
- **Solar Thermal**
 - Solar hot water system – Adams County
 - Total \$291,877 (L)
- **Wind**
 - Utility wind installations- Bear Creek/Forward/Lookout
 - Supply chain – Gamesa
 - Community wind – SFU Windmap
 - Small Wind Systems – Shade Central City School District, Meadville School District, Southern Alleghenies Conservancy, Wayne County Conservation District, Evergreen Conservancy Tonoma AMD site and New Tech Wind
 - Total \$232,650 Grants \$4,000,000 (L/I)
- **Low Impact Hydro**
 - None to date
- **Biogas and Coal Mine Methane**
 - Pioneer Landfill gas to electricity G.A. S - Johnstown Regional Energy Project.
 - Total \$1,500,000 (L/I)
- **Biomass**
 - Farm Digester – Native Energy
 - Wood Waste – United Corrstack
 - Ethanol-Regional Economic Development Initiatives
 - PGH Zoo Somerset International Research Center
 - Biomass Boot Camp
 - First Nation Wood Pellets
 - Pittsburgh Zoo-Somerset ICC
 - Total \$45,300 Grants \$522,000 (L/I)
- **Demand Side Energy Conservation and Efficiency**
 - Pymatuning Lab
 - Somerset Conservation District
 - West Erie County Emergency Center
 - Gildono Center
 - Induction Furnaces- Birdsboro Alloying

- Police Athletic League/Olivet's Boys & Girls Club
- Cambria County War Memorial Arena
- Johnstown Area Heritage Association
- Mission Critical Solutions
- City of Reading Pagoda
- Green Building Human Services Center
- Allegheny College
- Millcreek Township School District
- Asbury Park Nature Center
- Hanover Public School District
- Concurrent Technologies Corporation
- Twin Valley Elementary School
- Southern York County Library
- York County Commissioners
- Albright College
- Berks County Community Foundation LEED Platinum Headquarters
- Green Building Alliance
- Ground Source Heat Exchange – Allegheny Clarion Valley Development Corp.
- BosWell Pharmacy Services
- Crawford County Development Authority
- Rouse Estate
- Radiant Heating System – City of Johnstown Historic Carpenter Shop
- Energy Management Systems – Crispus Attucks Association
- Windber Research Institute
- Renewable Manufacture Gateway
- Greater Reading Commerce Center
- Johnstown Area Heritage Association
- Pittsburgh Gateways
- Energy Commonwealth Community Energy Project Revolving Loan Fund
- Total \$485,292 Grants \$2,281,450 Loans/Equity Investments
- **Supply Side Efficiency**
 - None to Date
- **Ocean and Lake Energy**
 - None to Date
- **Non-Combustion Solid Waste**
 - None to Date
- **Tier 1 Fuel Cells**
 - Solid-Exide Shade Central City School District
 - Franklin Fuel Cells
 - Total \$75,000 Grants \$500,000 Loans

Tier II Resources

- ***Electricity Generated From Eligible Waste Coal – New or Retrofitted Facilities***
 - None to Date
- ***Integrated Gasification Combined Cycle***
 - None to Date
- ***Non-Tier 1 Fuel Cells***
 - See Above Franklin Fuel Cells

Education (Not including Application of Technologies Listed Above)

- K-12 Energy Curriculum Development – Penn State University
- CEEP Green Campus Education
- Industry Specific – Clean Energy State Alliance
- Green Building Association of Central Pennsylvania
- NW PA and Laurel Highlands Chapters of Pittsburgh Green Building Alliance
- MAREC
- Pennsylvania Foundry Association
- US Green Building Council
- Manufacturers Association of Berks County
- Public Lebanon Valley Conservancy
- Penn Future
- Clean Energy Expo
- Berks County Conservancy – State of the Environment
- Keystone HELP
- WPSX –TV
- Southern Alleghenies Conservancy
- Berks County Community Foundation
- Conservation Consultants, Inc.
- Total \$553,721

2010 HIGHLIGHTS AND ACCOMPLISHMENTS

During the time period January 1, 2010 to December 31, 2010, Met-Ed/Penelec's staff participated in numerous conferences and meetings as speakers and active participants to raise awareness of Met-Ed/Penelec's SEF activities, including:

- Presentation to the interested for profit and non-for-profit businesses in York County;
- Participation in PennFuture events;

- Board membership in the Green Building Association of Central Pennsylvania, Pittsburgh Green Building Alliance/Laurel Highlands Affiliate Steering Committee, LEED workshops and tours and Smart Growth Alliance;
- Sustainable Pittsburgh and Sustainable Business Network;
- Programs and activities of Funders Network for Smart Growth;
- Alternative energy meeting of the Southern Alleghenies Planning and Development Commission;
- Participation in the development of alternative energy ordinances for municipalities;
- Participation in the Laurel Highland Conservation Coalition; and
- Member of the regional advisory board of Ben Franklin Technology Partners.

2010 FINANCIAL APPROVALS

Grants

Project	Amount	Comments	Date
Albright College	\$25,000	LEED Commissioning	4/21/10
City of Reading 2 nd & Oley Playground	25,000	Solar Lightning for a Neighborhood Playground	4/21/10
Wind Industry Conference	5,000	Conference on Community Wind	4/21/10
New Tech Wind	25,000	Wind Turbine Project Planning	5/10/10
Evergreen Conservancy	5,500	Tanoma AMD Wetlands Alternative Energy Project	6/17/10
Hyndman Area Health Center	25,000	Energy Efficiency	9/27/10
Renewable Manufacturers Gateway	50,000	Renewable Energy Supply Chain Development	11/19/10
St Francis University	8,140	Wind Resource Tech Center	10/8/10
St Francis University	20,000	Match Support for USDA Community Wind Grant	11/19/10
City of Reading	6,000	Solar Lighting For Welcome Sign	11/19/10
Total	\$194,640		

Loans

Project	Amount	Comments	Date
New Tech Wind	\$1,000,000	New Wind Technology	07/30/10
ECAP	100,000	Developing Energy Efficiency Projects	12/29/10
Total	\$1,100,000		

From inception through 2010, the Met-Ed/Penelec SEF approved 103 grants totaling \$2,050,467.30; 42 loans totaling \$18,642,553; and 3 equity investments totaling \$1,600,000. The fund denied 42 grant requests, 24 loan requests and 6 investment opportunities. Denials occurred because the proposed projects did not meet the Regional Fund's mission or had technological, financial and/or market difficulties.

To review the annual audit of Berks County Community Foundation and/or the Community Foundation for the Alleghenies, please visit the respective websites. If you would like a written copy of the audit, contact Richard Mappin at Berks County Community Foundation at 610-685-2227, or Michael Kane at Community Foundation for the Alleghenies, 814-536-7741.

2010 BOARD ACTIVITIES

The Met-Ed/Penelec's SEF Advisory Committee consists of eight members, whose two-year terms are staggered so the terms of approximately half of the members end each year. Current members can run for re-election.

The Advisory Committee Members for January 1, 2009 through December 31, 2010 were as follows:

John Ubinger Chair	Representing Environmental Groups	Term Expires 7/15/2013
Mary Beth Smialek	Representing First Energy	Term Expires 7/15/2013
Samuel Hepfer	Representing Weatherization Groups	Term Expires 4/1/2012
Derick James	Representing Commercial User Groups	Term Expires 7/15/2013
Edward Miller	Representing Commercial User Groups	Term Expires 7/15/2013
Brian Vayda	Representing Independent Power	Term Expires 4/1/2012
Timothy Burdis	Representing Producer Groups	Term Expires 4/1/2010
Frank Plank	Representing Industrial User Groups	Term Expires 4/1/2012

Met-Ed/Penelec's staff and board members continued to play an active role in PASEB activities, including meetings and conference calls.

REVIEW OF TECHNOLOGIES AND SAMPLE OF MET-ED/PENELEC SEF IMPLEMENTED PROJECTS

(L/I Loan or Equity Investment)

Tier I

- ***Solar Photovoltaic***
 - Silicon cell panels – Hundredfold Farm and French Creek Ridge
 - Printed electronics – Plextronics
 - Solar installer training – Conservation Consultants
 - Solar Lighting – 2nd & Oley Playground
 - Solar Lighting – Welcome Sign to City of Reading
 - Solar cell panels – Lacey Electric
 - Total \$114,658 Grants \$881,000 Loans/investments
- ***Solar Thermal***
 - Solar hot water system – Adams County
 - Total \$291,877 (L)
- ***Wind***
 - Utility wind installations- Bear Creek/Forward/Lookout
 - Supply chain – Gamesa
 - Community wind – SFU Windmap, SFU Tech Center, SFU Grant Match
 - Winenergy Community Wind Conference
 - Small Wind Systems – Shade Central City School District, Meadville School District, Southern Alleghenies Conservancy, Wayne County Conservation District, Evergreen Conservancy Tonoma AMD site and New Tech Wind
 - Total \$270,290 Grants \$4,000,000 (L/I)
- ***Low Impact Hydro***
 - None to date
- ***Biogas and Coal Mine Methane***
 - Pioneer Landfill gas to electricity G.A. S - Johnstown Regional Energy Project.
 - Total \$1,500,000 (L/I)
- ***Biomass***
 - Farm Digester – Native Energy
 - Wood Waste – United Corrstack
 - Ethanol-Regional Economic Development Initiatives
 - PGH Zoo Somerset International Research Center
 - Biomass Boot Camp
 - First Nation Wood Pellets
 - Pittsburgh Zoo-Somerset ICC
 - Total \$45,300 Grants \$522,000 (L/I)
- ***Demand Side Energy Conservation and Efficiency***
 - Pymatuning Lab
 - Somerset Conservation District

- West Erie County Emergency Center
- Gildono Center
- Induction Furnaces- Birdsboro Alloying
- Police Athletic League/Olivet's Boys & Girls Club
- Cambria County War Memorial Arena
- Johnstown Area Heritage Association
- Mission Critical Solutions
- City of Reading Pagoda
- Green Building Human Services Center
- Allegheny College
- Millcreek Township School District
- Asbury Park Nature Center
- Hanover Public School District
- Concurrent Technologies Corporation
- Twin Valley Elementary School
- Southern York County Library
- York County Commissioners
- Albright College
- Hyndman Area Health Center
- Berks County Community Foundation LEED Platinum Headquarters
- Green Building Alliance
- Ground Source Heat Exchange – Allegheny Clarion Valley Development Corp.
- BosWell Pharmacy Services
- Crawford County Development Authority
- Rouse Estate
- Radiant Heating System – City of Johnstown Historic Carpenter Shop
- Energy Management Systems – Crispus Attucks Association
- eCAP Network Energy Management
- Windber Research Institute
- Renewable Manufacture Gateway
- Greater Reading Commerce Center
- Johnstown Area Heritage Association
- Pittsburgh Gateways
- Energy Commonwealth Community Energy Project Revolving Loan Fund
- Total \$510,292 Grants \$2,381,450 Loans/Equity Investments
- **Supply Side Efficiency**
 - None to Date
- **Ocean and Lake Energy**
 - None to Date
- **Non-Combustion Solid Waste**
 - None to Date

- **Tier 1 Fuel Cells**
 - Solid-Exide Shade Central City School District
 - Franklin Fuel Cells
 - Total \$75,000 Grants \$500,000 Loans

Tier II Resources

- ***Electricity Generated From Eligible Waste Coal – New or Retrofitted Facilities***
 - None to Date
- ***Integrated Gasification Combined Cycle***
 - None to Date
- ***Non-Tier 1 Fuel Cells***
 - See Above Franklin Fuel Cells

Education (Not including Application of Technologies Listed Above)

- K-12 Energy Curriculum Development – Penn State university
- CEEP Green Campus Education
- Industry Specific – Clean Energy State Alliance
- Green Building Association of Central Pennsylvania
- NW PA and Laurel Highlands Chapters of Pittsburgh Green Building Alliance
- MAREC
- Pennsylvania Foundry Association
- US Green Building Council
- Manufacturers Association of Berks County
- Public Lebanon Valley Conservancy
- Penn Future
- Clean Energy Expo
- Berks County Conservancy – State of the Environment
- Keystone HELP
- WPSX –TV
- Southern Alleghenies Conservancy
- Berks County Community Foundation
- Conservation Consultants, Inc.
- Total \$553,721

SUSTAINABLE DEVELOPMENT FUND

(PECO Service Territory)

2009 - 2010 Update

<http://www.trfund.com/sdf>

INTRODUCTION

The 2009 Annual Report was reported by the Sustainable Development Fund (SDF) and the 2010 Annual Report was prepared by The Reinvestment Fund (TRF), the manager of the SDF to summarize the initiatives and accomplishments of SDF in calendar years 2009 and 2010. These reports are submitted to the Pennsylvania Public Utility Commission and to the Joint Petitioners in the PECO Energy restructuring proceeding. These Annual Reports discuss the initiatives and accomplishments of the SDF in calendar years 2009 and 2010. 2010 is SDF's tenth year of operation and TRF is proud of the role SDF has played in accelerating the region's investment in a clean energy economy.

2009 REPORTING YEAR

2009 ACCOMPLISHMENTS

Loans and Investments

In 2009, TRF, which manages SDF, worked diligently to raise additional capital to leverage SDF's remaining funds for additional clean energy and energy efficiency projects. At the time of the writing of this report, TRF has been selected to manage two new Pennsylvania clean energy and energy efficiency loan funds, which are capitalized in part with economic stimulus energy dollars. These two energy loan funds are the Pennsylvania Green Energy Loan Fund (partially funded with \$12 million of ARRA State Energy Plan stimulus dollars) and the Philadelphia Greenworks Loan Fund (partially funded with \$4.5 million of ARRA Energy Efficiency and Conservation Block Grant stimulus dollars).² This new funding will dramatically increase the opportunity to leverage SDF dollars in new projects.

SDF approved \$2,806,257 in two new loans for new energy projects in 2009. These projects are shown on the following table:

² On April 21, 2010, TRF learned that the U.S. Department of Energy announced a \$25 million award in the competitive Energy Efficiency and Block Grant program to Philadelphia and the Metropolitan Caucus. A regional energy revolving loan fund managed by TRF is a major component of this award, though the exact amount is not known because the award was less than the request and TRF's share in the final amount has not yet been determined.

Borrower	Purpose	Loan Amount	Total Project Budget
217 Realty LLC / 2320 Group LLC	Finance installation of 108.8 kW of commercial solar PV systems (2)	\$706,800	\$719,100
Thomas Jefferson University	Lease financing for energy conservation measures resulting in 1.7 million kWh (\$364K) annual savings	1,784,538	\$2,099,457
Totals		\$2,491,338	\$2,818,557

As of December 31, 2009, SDF had approved a cumulative total of 43 loans and investments, totaling \$23,957,752. The total budget of these 43 projects supported by SDF is approximately \$132,387,034.

Core Grants

At the SDF board meeting on June 24, 2008, the SDF board decided to suspend the core grant program until such time as the board determines that SDF income from loans and investments justifies resumption of the core grants. This decision was reaffirmed at the SDF annual meeting on December 17, 2008 with the approval of the 2009 Annual Program Plan. The board made one exception to this decision, approving a grant of \$7,500 to Citizen's for Pennsylvania's Future in June 2009 to support PennFuture's public energy conferences. On December 15, 2009, the SDF board again supported the suspension of the core grant program with the approval of the 2010 Annual Program Plan.

As of December 31, 2009, SDF had approved a cumulative total of 87 core grant applications 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.

As of December 31, 2009, SDF had paid \$1,305,493 to its core grantees and had made a budget adjustment of -\$424,865 to the core grant program budget to reflect the four unexecuted agreements and the grants coming in under budget. At the close of 2009 there were two open core grants with an unexpended balance of \$32,000.

2009 PECO-UNICOM MERGER PROGRAMS

The Pennsylvania Wind Development Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$12 million for the purpose of developing new Pennsylvania wind projects. SDF has committed its wind funding in three categories of wind energy projects as shown on the following table. As of December 31, 2009, SDF had committed a total of \$11,786,534 and paid \$11,593,093 to wind projects. The committed but unpaid balance of \$193,441 is for one community wind farm that is under contract but still under development. The uncommitted balance of \$213,466 is for a second community wind project (and for the outside consultants to review the proposals).

	Total \$ Committed	Total \$ Paid	Balance	Uncommitted
Utility-scale wind farms	\$11,500,000	\$11,500,000	\$0	
Community wind	193,441	0	193,441	\$210,966
Small-scale wind	75,000	75,000	0	
Project review	18,093	18,093	0	2,500
Totals	\$11,786,534	\$11,593,093	\$193,441	\$213,466

Utility-Scale Wind Farms

In 2009 there were seven utility-scale wind farms operating in Pennsylvania that had received financial support from SDF:

	Size (MW)	Annual Output (MWH)	SDF Grant Amount
Mill Run	15.0	38,938	\$1,000,000
Somerset	9.0	20,404	1,000,000
Waymart	64.5	150,445	3,250,000
Meyersdale	30.0	81,243	2,500,000
Bear Creek	24.0	71,173	2,000,000
Casselman	34.5	93,819	1,000,000
Allegheny Ridge	80.0	217,248	750,000
Totals	257.0	673,270	\$11,500,000

As of December 31, 2009, all seven wind projects had fully earned their SDF wind energy production incentives.

Community Wind

SDF defines community wind projects as locally-owned wind projects that use utility-scale turbines with a nameplate generating capacity between 500 kW and 10 MW. SDF sees an important market niche for these projects and is committed to help at least two community wind projects come on line in Pennsylvania.

In 2007, SDF executed a wind energy production incentive agreement with PennFuture Enterprises on behalf of the City of Hazelton in the amount of \$193,441 to support the construction of a 600 kW community wind project that will provide 75% of the electricity consumption of Hazelton’s wastewater treatment facility. The project experienced problems in 2009 with the availability of a wind turbine and the increased costs of capital projects, but has resolved the turbine issue and received a grant from the Pennsylvania Energy Harvest program, so the turbine is scheduled to come on line in 2010.

SDF had planned to issue a second community wind solicitation in 2009 to identify a second community wind project, but held off because of the uncertainty in the wind market. SDF now plans to issue this RFP in 2010 and has reserved up to \$210,966 for this solicitation and \$2,500 for the technical consultants to assist with the application reviews.

	Size (kW)	Annual Output (MWH)	SDF Grant Amount
Hazelton	600	1,290	\$193,441
New Project	TBD	TBD	\$210,966
Technical review	--	--	\$2,500

Small Wind

SDF’s Small Wind program consisted of financial support in 2007 to the Pennsylvania Department of Conservation and Natural Resources (DCNR) for the installation of six 10 kW wind turbines at six state parks as part of DCNR’s Sustainable Energy Demonstration and Exhibit at State Parks program. The six turbines are located at Presque Isle State Park, Prince Gallitzin State Park, Promised Land State Park, Pymatuning State Park, Tuscarora State Park and Yellow Creek State Park and were all installed. The SDF grant for these installations was \$75,000.

The Solar Photovoltaic Grant Program

The Solar PV Grant Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$4 million for the purpose of supporting solar photovoltaic installations in Pennsylvania. A grant from the Pennsylvania Energy Development Authority to SDF in the amount of \$701,366 and \$166,049 in proceeds from the Solar Renewable Energy Credit (SREC) sales increased SDF’s solar PV program budget to \$4,867,415.

	Total \$ Committed	Total \$ Paid	Unpaid Balance
Solar PV grants	\$3,878,409	\$3,603,705	\$274,704
Program administration, installer training, education and coordination	623,644	590,218	33,426
Totals	\$4,502,053	\$4,193,923	\$308,130

Including the PEDA grant and the SREC sale proceeds, SDF had approximately \$365,362 in funding for the PV program that was uncommitted as of December 31, 2009. These funds will be committed in 2010 between new PV funding and the necessary extension of the program administrator’s contract.

The Solar PV Grant Program statistics as of December 31, 2009 are shown on the table below.

	Approved Systems	Installed Systems
Number of Systems	232 ³	220
Total Capacity	928 kW	875 kW
Estimated Annual Production	1,008 MWH	950 MWH

The total value of the approved solar PV systems supported by the SDF program is \$8,176,829.

³ The SDF Solar PV program approved a total of 301 system applications, but 69 of the approved applications were withdrawn by the applicants because they did not proceed with the system purchase and installation. In the beginning of the program, SDF did not require applicants to submit a signed contract or proof of down payment, so applicants could change their minds with no consequences.

Registering and Selling Solar Renewable Energy Certificates

SDF continued its work registering and trading SRECs on the PJM Generation Attributes Tracking System (“GATS”). As of December 31, 2009, SDF registered a total of 1,222 SRECs on GATS. Between June 1, 2009 and December 31, 2009, SDF participating systems earned a total of 243 additional SRECs in Reporting Year 2010, but changes in the GATS reporting procedure made the process a bit more complicated and the registration of these SRECs will occur in 2010.

SDF was entered in nine sale agreements for a total of 926 SRECs, netting \$246,198 after commissions. The SREC proceeds are shared 50/50 with many of the system owners (while many other owners allow SDF to retain 100% of the SREC proceeds). The total share for the system owners is \$80,146 and SDF’s share, which is dedicated to the Solar PV Grant Program, is \$166,049. SDF currently has 296 SRECs in its GATS account from earlier reporting years that it worked to sell in 2009, but no buyers came forward for these SRECs. SDF will continue to look for buyers for these older SRECs, which still have value for electric distribution utilities that are not yet subject to the Alternative Energy Portfolio Standards Act.

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. Since 2001, SDF has operated a public education program that has involved 42 separate grant agreements for a wide variety of activities. As of December 31, 2009, there was only one grant with an open balance. The consultant services for coordination and evaluation had an open balance of \$5,720, which is reserved for the final report. Because of some reductions in actual payment claims, the education program has an uncommitted balance of \$3,030. SDF will be committing this uncommitted balance in 2010.

	Total \$ Committed	Total \$ Paid	Balance	Uncommitted
Education grants	\$2,319,806	\$2,311,240	\$8,567	\$3,030
Coordination and Evaluation	177,164	171,444	5,720	0
Totals	\$2,496,970	\$2,446,332	\$14,287	\$3,030

The Pennsylvania Clean Energy Communities Campaign is continuing under the management and funding of SmartPower. The campaign’s website is <http://communities.trfund.com/>. As of December 31, 2009, twenty local communities completed all of the requirements⁴ to become a Clean Energy

⁴ The three requirements were (1) the township will purchase clean energy equal to at least 20% of all local government electricity consumption by 2010; (2) the township encourages the necessary number of residents and small businesses to become new customers of clean power; and (3) the township actually starts purchasing clean power towards their 20% goal.

Community and received a free 1.26 kW solar PV system. The twenty Pennsylvania Clean Energy Communities are Abington Township, Cheltenham Township, Doylestown Borough, East Bradford Township, Jenkintown Borough, London Grove Township, Lower Makefield Township, Marple Township, Media Borough, Middletown Township, Nether Providence Township, Schuylkill Township, Swarthmore Borough, Tredyffrin Township, Upper Dublin Township, Upper Makefield Township, Warminster Township, Warrington Township, West Vincent Township and Wrightstown Township. Fifteen of these systems were paid for by SDF, mostly using the Pennsylvania Energy Development Authority grant for these systems. SmartPower used its own resources to pay for the installation of the remaining five systems.

2009 ORGANIZATIONAL ISSUES

Board Membership

The SDF board is comprised of seven members, whose two-year terms are staggered so that the terms of an approximately equal number of directors end each year. Current board members may serve two consecutive full terms. The three board members whose terms expired on December 31, 2009 were Mark Deitcher, Al Koenig and Muscoe Martin.

The SDF Board appointed a Nominations Committee comprised of board members Tom Balderston and Frank Jiruska and SDF staff Roger Clark and Rob Sanders. The SDF Board also approved selection criteria for new candidates to be recommended to the Board. Public notice regarding the seeking of nominations to the SDF Board was given by a variety of means including:

- A written letter was mailed October 2, 2009 to the PUC and the original parties to the PUC settlement order creating SDF;
- A notice was emailed October 2, 2009 to SDF's e-mailing list; and
- A notice was posted on SDF's website on October 2, 2009.

By the nomination deadline of November 4, 2009, nominations to the SDF Board were received for the following five individuals:

- Michael Cuneo, MidCoast Capital, LLC
- Al Koenig, AKON Consulting Engineers
- Muscoe Martin, m2 Architecture
- Janet Milkman, Delaware Valley Green Building Council
- Dean Schwartz, Stradley Ronon Stevens & Young

The Nominations Committee interviewed all of the nominees and made a report to the SDF Board at the Annual Meeting on December 15, 2009. At this meeting, the SDF Board unanimously elected the following three individuals to the board:

Al Koenig. Since 2005, Dr. Koenig has worked as an Energy Consultant, particularly in regard to geothermal HVAC design and installation projects. He was recently named as President of Franklin Fuel Cells, Inc., an early stage solid oxide fuel cell company. From 1997 to 2005, Mr. Koenig worked with the Ben Franklin Technology Partners as Director of University-Corporate Programs, promoting access to universities and federal labs for PA companies. From 1995-1997, Dr. Koenig was President of Silent Power Systems which developed innovative modular electrical energy systems. For the ten years prior to that (1986-1995), he was Director of Engineering for Chloride Silent Power, Ltd. where he developed high energy density sodium sulfur battery technology for electric vehicle and utility applications. Dr. Koenig worked with GE from 1975-1986 where he worked as an Engineer in their Advanced Energy Programs Department on renewable energy products. Dr. Koenig received his B.S. in Physics/Engineering from Loyola College (Baltimore), and his Ph.D. in L.T. Physics from Duke University, with post-doctorate work at Haverford College.

Muscoe Martin. Muscoe Martin is the founder and principal of *m2 Architecture*, an architectural firm committed to ecological design. From 1985 to 2005, Mr. Martin was a staff architect, principal or partner with four other Philadelphia architectural design firms. A LEED Accredited Professional since 2001, Mr. Martin has also been a LEED Faculty Member of the U.S. Green Building Council, and a Lecturer at the University of Pennsylvania (Department of Architecture, Graduate School of Design) since 1996. He has a long list of completed and current LEED and high performance energy-efficient buildings to his credit, and has published and delivered papers extensively in regard to sustainable building design and green buildings. He is a member of the Board of Directors of both the U.S. Green Building Council and the Delaware Valley Green Building Council, and a former board member of the Sustainable Buildings Industry Council, the Pennsylvania Environmental Council and Philadelphians Concerned About Housing. Mr. Martin received his B.A. degree from Princeton University and his Master's degree in Architecture from the University of Pennsylvania.

Janet Milkman. Janet Milkman is the Executive Director of the Delaware Valley Green Building Council. She has spent the majority of her professional career working toward sustainable development through her roles in the non-profit and public sectors. Her work in the energy conservation and renewable energy fields includes leadership of a Minnesota non-profit, now called Fresh Energy, with a focus on state-level legislation and regulatory reforms to promote alternative energy portfolio standards, reductions in mercury emissions from power plants, and promotion of the then-nascent wind development industry in the state. In Philadelphia, Ms. Milkman joined the Energy Coordinating Agency to restructure an existing oil cooperative to an oil and electric cooperative, following electric regulatory restructuring in Pennsylvania. She worked for 10,000 Friends of Pennsylvania from 2003 through 2007 serving as Executive Director, President and CEO. Ms. Milkman is a Fulbright Scholar with a B.A. degree from Wesleyan University and a Master in Public Affairs from the Woodrow Wilson School of Public and International Affairs at Princeton University.

The SDF board members for 2010, together with the expiration dates of their terms, were as follows:

- Tom Balderston, Balderston Capital, LLC (12/31/10)
- Baird Brown, Ballard Spahr (12/31/10)
- Kurt Bresser, Energy Manager, Temple University (12/31/10)
- Frank Jiruska, PECO Energy (12/31/10)
- Albert Koenig, AKON Consulting Engineers (12/31/11)
- Muscoe Martin, m2 Architecture (12/31/11)
- Janet Milkman, Delaware Valley Green Building Council (12/31/11)

Board Meetings

During 2009, the SDF Board met on this reporting period, meetings of the board were held on June 23 and December 15, 2009.

Coordination with the Other Pennsylvania Sustainable Energy Funds

In 2009, the regional sustainable energy funds met as a group on February 25 in New Kingston, on November 2 in Reading and on December 4 in Fogelsville to discuss projects of mutual interest and to better coordinate future activities.

Pennsylvania Sustainable Energy Board

SDF staff participated in the Pennsylvania Sustainable Energy Board annual meeting for 2009, which was held in Harrisburg on January 21, 2010.

2009 FINANCIAL REPORT

As of December 31, 2009, SDF had 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.

Pursuant to the terms of the PECO Energy/Unicom merger agreement, SDF had also received three installments of \$4,000,000 for the Pennsylvania Wind Development Program (total of \$12,000,000 received); 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 received). SDF's solar program has also received a grant of \$701,366 from the Pennsylvania Energy Development Authority and proceeds from the sale of Solar Renewable Energy Credits of \$166,049, for a total solar photovoltaic program budget of \$4,867,415.

SDF's unaudited financial statements for the six-month period ending December 31, 2009 show total income of \$146,250 for the period. Operating expenses for the 6-month period totaled \$213,813, resulting in a deficit of \$67,563 for the 6-month period. It should be noted that these figures do not include proceeds from the anticipated spring 2010 sale of more than 530 solar RECs (renewable energy certificates) generated through the end of 2009 that is expected to net TRF in excess of \$95,000.

On December 31, 2009, SDF held funds in two accounts pending disbursement for its loans, investments, grants and operations: \$3,939,457 was held in SDF's sweep/liquidity/checking investment account, and \$3,032,177 was held in SDF's Limited Maturity investment account. The Limited Maturity investment account is invested in government agencies and U.S. Treasuries. The average maturity of the underlying securities is approximately 15 months.

As of December 31, 2009, there was \$406,907 in undisbursed and uncommitted wind development program funds (of which \$193,441 is under commitment to a community wind project now expected to come on line in 2010); \$17,317 in undisbursed Renewable Energy Public Education program funds; and \$673,492 in undisbursed and uncommitted funds in the expanded budget of the Solar PV Grant Program (\$308,130 in undisbursed funds and \$365,362 in uncommitted funds). SDF will work to complete all of these merger-supported programs in 2010.

Outstanding loans, energy performance contract leases receivable and outstanding investments in portfolio companies at December 31, 2009 totaled \$4,501,514; an additional \$1,784,538 in loans were approved awaiting closing and disbursement at the end of 2009. SDF's liabilities at December 31, 2009 totaled \$112,613 and were comprised of general accounts payable and accrued expenses of \$49,336, grants payable of \$4,351, an account payable of \$28,594 to The Reinvestment Fund for operating expenses approved under the FY2010 operating budget, and amounts payable to third parties of \$30,332.

2010 REPORTING YEAR

2010 ACCOMPLISHMENTS

Loans and Investments

In 2010, TRF worked diligently to raise additional capital to leverage SDF's remaining funds for additional clean energy and energy efficiency projects. TRF was successful in raising \$20.5 million in capital from three sources:

Source	Explanation	Amount
City of Philadelphia	TRF included in the formula Energy Efficiency and Conservation Block Grant from the U.S. Department of Energy to the City of Philadelphia	\$ 1,723,252
Commonwealth of Pennsylvania	TRF included in the State Energy Program Grant from the U.S. Department of Energy to the Commonwealth of Pennsylvania, Department of Environmental Protection	\$12,000,000
Metropolitan Caucus	TRF included in a competitive Energy Efficiency and Conservation Block Grant from the U.S. Department of Energy to the Metropolitan Caucus	\$6,799,357
TOTAL		\$20,522,609

This new funding will dramatically increase the opportunity to leverage SDF dollars in new building energy efficiency projects.

In 2010, the building energy lending provided by TRF used this new funding rather than SDF funding. No SDF dollars were used in loans in 2010.

As of December 31, 2010, SDF had approved a cumulative total of 43 loans and investments, totaling \$23,957,752. The total budget of these 43 projects supported by SDF is approximately \$132,387,034.

Core Grants

As reported earlier, the SDF board decided to suspend the core grant program on June 24, 2008 until such time as the board determined that SDF income from loans and investments justifies resumption of the core grants.

As of December 31, 2010, SDF had approved a cumulative total of 87 core grant applications 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.

As of December 31, 2010, SDF paid \$1,312,680 to its core grantees and made a budget adjustment of \$424,865 to the core grant program budget to reflect the four unexecuted agreements and the grants coming in under budget. At the close of 2010, there are two open core grants with an unexpended balance of \$24,813.

2010 PECO-UNICOM MERGER PROGRAMS

The Pennsylvania Wind Development Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$12 million for the purpose of developing new Pennsylvania wind projects. SDF committed its wind funding in three categories of wind energy projects as shown on the table on the following page. As of December 31, 2010, SDF committed a total of \$11,793,093 and paid \$11,593,093 to wind projects. The committed but unpaid balance of \$200,000 is for one community wind farm (New Tech Wind) that is under agreement and is expected to come on-line in 2012.

As of December 31, 2010, SDF had an uncommitted balance of \$206,907 in its wind development program. The SDF board is evaluating how this funding could be deployed most effectively to support future wind development in Pennsylvania and a final decision is likely in the fall of 2011.

	Total \$ Committed	Total \$ Paid	Balance	Uncommitted
Utility-scale wind farms	\$11,500,000	\$11,500,000	\$0	
Community wind	200,000	0	200,000	
Small-scale wind	75,000	75,000	0	
Project review	18,093	18,093	0	
Totals	\$11,793,093	\$11,593,093	\$200,000	\$206,907

Utility-Scale Wind Farms

In 2010 there were seven utility-scale wind farms operating in Pennsylvania that had received financial support from SDF:

	Size (MW)	Annual Output (MWH)	SDF Grant Amount
Mill Run	15.0	38,938	\$1,000,000
Somerset	9.0	20,404	\$1,000,000
Waymart	64.5	150,445	\$3,250,000
Meyersdale	30.0	81,243	\$2,500,000
Bear Creek	24.0	71,173	\$2,000,000
Casselman	34.5	93,819	\$1,000,000
Allegheny Ridge	80.0	217,248	\$750,000
Totals	257.0	673,270	\$11,500,000

All seven wind projects have fully earned their SDF wind energy production incentives.

Community Wind

SDF defines community wind projects as locally-owned wind projects that use utility-scale turbines with a nameplate generating capacity between 500 kW and 10 MW. SDF sees an important market niche for these projects and is committed to help community wind projects come on line in Pennsylvania.

SDF began 2010 with one community wind project under grant agreement for \$193,441 at the Hazelton wastewater treatment facility, but during the year SDF was informed that the Hazelton project was cancelled.

In 2010, SDF approved a new grant to New Tech Wind to provide \$200,000 for a 2.0 megawatt turbine that will utilize a new direct drive generator technology developed by New Tech Wind and Penn State University. The project is making progress and is expected to become operational in 2012.

Small Wind

SDF's Small Wind program consisted of financial support to the Pennsylvania Department of Conservation and Natural Resources (DCNR) for the installation of six 10 kW wind turbines at six state parks as part of DCNR's *Sustainable Energy Demonstration and Exhibit at State Parks* program. The six turbines are located at Presque Isle State Park, Prince Gallitzin State Park, Promised Land State Park, Pymatuning State Park, Tuscarora State Park and Yellow Creek State Park and were all installed. The SDF grant for these installations was \$75,000.

The Solar Photovoltaic Grant Program

The Solar PV Grant Program

In the 2000 settlement of the PECO-Unicom merger proceeding, SDF received \$4 million for the purpose of supporting solar photovoltaic installations in Pennsylvania. SDF supplemented this solar funding through (a) a grant from the Pennsylvania Energy Development Authority SDF in the amount of \$701,366; and (b) proceeds to SDF from the registration and sale of Solar Renewable Certificates (“SRECs”) in the amount of \$300,003 (see sub-section B.2 below), for a total SDF solar program income of \$5,001,369.

	Total \$ Committed	Total \$ Paid	Unpaid Balance	Uncommitted
Solar PV grants	\$3,878,409	\$3,603,705	\$274,704	
Program administration, installer training, education and coordination	623,644	590,218	33,426	
Totals	\$4,502,053	\$4,193,923	\$308,130	\$499,316

As of December 31, 2010, SDF had an uncommitted balance of \$499,316 in its solar program. The SDF board is evaluating how this funding could be deployed most effectively to support future wind development in Pennsylvania and a final decision is likely in the fall of 2011.

The Solar PV Grant Program statistics as of December 31, 2010 are shown on the table below.

	Approved Systems	Installed Systems
Number of Systems	232 ⁵	220
Total Capacity	928 kW	875 kW
Estimated Annual Production	1,008 MWH	950 MWH

The total value of the approved solar PV systems supported by the SDF program is \$8,176,829.

⁵ The SDF Solar PV program approved a total of 301 system applications, but 69 of the approved applications were withdrawn by the applicants because they did not proceed with the system purchase and installation. In the beginning of the program, SDF did not require applicants to submit a signed contract or proof of down payment, so applicants could change their minds with no consequences.

Registering and Selling Solar Renewable Energy Certificates

SDF continued its work registering and trading Solar Renewable Energy Certificates (SRECs) on the PJM Generation Attributes Tracking System (“GATS”). As of December 31, 2010, SDF registered a total of 1,810 SRECs on GATS.

As of December 31, 2010, SDF made eleven sales for a total of 1,619 SRECs, netting \$434,968 after commissions. The SREC proceeds are shared 50/50 with many of the system owners (while many other owners allow SDF to retain 100% of the SREC proceeds). The total SREC payment given to the system owners is \$134,966 and SDF’s share, which is dedicated to the Solar PV Grant Program, is \$300,003.⁶

The income realized by SDF from SREC sales has fallen considerably in 2010 as the SREC price has fallen due to the current surplus of available SRECs compared to the SREC demand under the Pennsylvania Alternative Energy Portfolio Standards Act.

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. Since 2001, SDF operated a public education program that involved 42 separate grant agreements for a wide variety of activities. As of December 31, 2010, all program activity was completed. There is a balance of \$8,749 in the budget still available for a final program report, which SDF intends to complete in 2011 to tell the story of the wide variety of activities supported and the lessons learned.

	Total \$ Committed	Total \$ Paid	Balance
Education grants	\$2,319,806	\$2,319,806	\$0
Coordination and Evaluation	180,194	171,444	8,749
Totals	\$2,500,000	\$2,491,250	\$8,749

⁶ SDF sold an additional 191 SRECs on January 11, 2011, which netted SDF \$40,110 in income, of which \$11,445 was given to the system owners and \$28,665 was added to the SDF solar program budget. Adding this sale to the earlier eleven sales, SDF total net income from SRECs has been \$475,078, of which a total of \$146,411 has been given to the system owners and \$328,668 has been added to SDF solar program.

The final program activity in the public education program involved the Pennsylvania Clean Energy Communities Campaign under the management and funding of SmartPower. Twenty local communities completed all of the requirements⁷ to become a Clean Energy Community and received a free 1.26 kW solar PV system. The twenty Pennsylvania Clean Energy Communities are Abington Township, Cheltenham Township, Doylestown Borough, East Bradford Township, Jenkintown Borough, London Grove Township, Lower Makefield Township, Marple Township, Media Borough, Middletown Township, Nether Providence Township, Schuylkill Township, Swarthmore Borough, Tredyffrin Township, Upper Dublin Township, Upper Makefield Township, Warminster Township, Warrington Township, West Vincent Township and Wrightstown Township. Fifteen of these systems were paid for by SDF, mostly using the Pennsylvania Energy Development Authority grant for these systems. SmartPower used its own resources to pay for the installation of the remaining five systems.

2010 ORGANIZATIONAL ISSUES

Board Membership

The SDF board is comprised of seven members, whose two-year terms are staggered so that the terms of an approximately equal number of directors end each year. Current board members may serve two consecutive full terms. Four of SDF's board members (Tom Balderston, Kurt Bresser, Baird Brown and Frank Jiruska) had terms that expired on December 31, 2010. Baird Brown was completing his second term and was ineligible for re-election to the board. Two of the remaining candidates (Kurt Bresser and Frank Jiruska) served one term and were eligible for and interested in a second term. One board member (Tom Balderston) informed SDF that he would not seek election to a second term.

In October, an SDF Nominations Committee was formed, comprised of board members Al Koenig and Muscoe Martin and SDF staff Roger Clark and Rob Sanders.

The SDF Board also approved selection criteria for new candidates to be recommended to the Board. Public notice regarding the seeking of nominations to the SDF Board was given by a variety of means including:

- A written letter was mailed on September 27, 2010 to the PUC and the original parties to the PUC settlement order creating SDF;
- A notice was emailed on September 27, 2010 to SDF's e-mailing list; and
- A notice was posted on SDF's website on September 27, 2010.

⁷ The three requirements were (1) the township will purchase clean energy equal to at least 20% of all local government electricity consumption by 2010; (2) the township encourages the necessary number of residents and small businesses to become new customers of clean power; and (3) the township actually starts purchasing clean power towards their 20% goal.

By the nomination deadline of October 29, 2010, nominations to the SDF Board were received for the following five individuals:

- Kurt Bresser, Temple University
- Alan Grant, Pennoni Associates
- James Harven, Constellation Energy Services
- Frank Jiruska, PECO Energy
- Yakin Madhoo, self-employed

The Nominations Committee interviewed all of the nominees and made a report to the SDF Board at the Annual Meeting on December 14, 2010. At this meeting, the SDF Board unanimously elected the following four individuals to the board:

Kurt Bresser. Mr. Bresser is Energy Manager for Temple University, where he worked since 1983. In this role, he manages a \$22 million annual utility budget and implemented and now manages a 16 MW standby generating electric facility. Mr. Bresser is a member of Temple's Sustainability Task Force as well as several local industrial and commercial energy users associations, including the Philadelphia Area Industrial Energy Users Group (PAIEUG). Mr. Bresser is a graduate of the University of Cincinnati (B.A., English Literature and A.S., Energy Management) and Temple University (M.B.A., Management Science Operations Research).

Alan Grant. Mr. Grant is the Energy and Sustainability Practice Leader for Pennoni Associates, a major engineering firm with offices throughout the mid-Atlantic.⁸ He is responsible for the business development and technical aspects of energy engineering, LEED green building design, renewable energy and high performance building design projects. Alan is a registered Professional Engineer with 17 years of professional engineering services in commercial, industrial, institutional and residential building projects, including being the engineer on record for HVAC, lighting and electrical design, plumbing and other building work. Alan also founded and led a financial firm that did venture capital investing, project finance and financial management for firms in the energy efficiency and renewable energy fields. Mr. Grant has a B.S. degree in Mechanical Engineering from the University of Toronto. He is a LEED Accredited Professional and a member of ASHRAE, the Association of Energy Engineers and the U.S. Green Building Council.

James Harven. Mr. Harven is Director of Project Development and the Senior Development Engineer for Constellation Energy, a position he has held since 2000. Constellation Energy is one of the larger energy

⁸ Pennoni Associates was selected by TRF in 2010 through a competitive solicitation process to provide some energy engineering services to the Pennsylvania Green Energy Loan Fund (GELF). Pennoni will be reviewing the estimates of energy savings provided by loan applicants and confirming the reasonableness of those estimates. This review by a third-party energy expert is required by DOE. SDF staff does not see an inherent conflict of interest since the SDF board does not have managerial control over the TRF lending program. If Pennoni Associates is involved in a specific project that comes before SDF, the SDF conflict of interest rules require that Mr. Grant disclose this interest and abstain from any SDF board discussion and any board voting.

service companies operating in the mid-Atlantic and Mr. Harven manages Constellation Energy's engineering resources for performance contracting projects in the Mid-Atlantic region. He negotiates contracts and assists in financing projects for hospitals, universities, retail, commercial offices and industrial sites. Mr. Harven is also the president of the Delaware Valley chapter of the Association of Energy Engineers and a member of ASHRAE. He received a B.S. degree in environmental engineering (with an HVAC concentration) from California Polytechnic State University in San Luis Obispo, California.

Frank Jiruska. Mr. Jiruska is the Director of Energy and Marketing Services for Exelon Corporation. He is responsible for the development and execution of the energy efficiency and peak-load reduction components of Act 129, as well as sales and marketing to large and small commercial, industrial and residential customers and customer service for large commercial and industrial accounts. Mr. Jiruska launched PECO Wind in 2004, growing it to nearly 40,000 customers, making it one of the top five programs in the country. PECO's Smart Ideas conservation and peak load reduction program has already met its May 31, 2011 goal for energy savings and is one of the stronger programs in Pennsylvania. Prior to joining Exelon, Mr. Jiruska was Product Family Manager at Ameritech for eight years and has 13 years of experience in the telecommunications industry. Mr. Jiruska has an MBA from Northern Illinois University and a BS in Business Administration from Marquette University.

The SDF board members for 2011, together with the expiration dates of their terms, are as follows:

- Kurt Bresser, Energy Manager, Temple University (12/31/12)
- Alan Grant, Pennoni Associates (12/31/12)
- James Harven, Constellation Energy (12/31/12)
- Frank Jiruska, PECO Energy (12/31/12)
- Albert Koenig, ARB Geowell (12/31/11)
- Muscoe Martin, m2 Architecture (12/31/11)
- Janet Milkman, Delaware Valley Green Building Council (12/31/11)

Board Meetings

During 2010, the SDF Board met on June 29 and December 14, 2010.

Coordination with the Other Pennsylvania Sustainable Energy Funds

In 2010, the regional sustainable energy funds met as a group on March 5 in Grantville to discuss projects of mutual interest and to better coordinate future activities. SDF staff spoke at the Sustainable Energy Fund's energy conference at Lehigh University on July 15, 2010.

Pennsylvania Sustainable Energy Board

SDF staff participated in the Pennsylvania Sustainable Energy Board annual meeting for 2009, which was held in Harrisburg on January 21, 2010.

2010 FINANCIAL REPORT

As of December 31, 2010, SDF had 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.

Pursuant to the terms of the PECO Energy/Unicom merger agreement, SDF also received three installments of \$4,000,000 for the Pennsylvania Wind Development Program (total of \$12,000,000 received); 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 received). SDF's solar program also received a grant of \$701,366 from the Pennsylvania Energy Development Authority and proceeds from the sale of Solar Renewable Energy Credits of \$300,003, for a total solar photovoltaic program budget of \$5,001,369 as of December 31, 2010.

SDF's unaudited financial statements for the twelve-month period ending December 31, 2010 show total income of \$300,583 for the period. Operating expenses for 2010 totaled \$354,802 resulting in a deficit of \$54,221 for the year.⁹

On December 31, 2010, SDF held funds in two accounts pending disbursement for its loans, investments, grants and operations: \$3,683,788 was held in SDF's sweep/liquidity/checking investment account, and \$3,310,523 was held in SDF's Limited Maturity investment account. The Limited Maturity investment account is invested in government agencies and U.S. Treasuries. The average maturity of the underlying securities is approximately 15 months.

As of December 31, 2010, there was \$406,907 in undisbursed and uncommitted wind development program funds (of which \$200,000 is under commitment to a community wind project now expected to come on line in 2012); \$8,749 in undisbursed Renewable Energy Public Education program funds; and \$807,446 in undisbursed and uncommitted funds in the expanded budget of the Solar PV Grant Program (\$308,130 in undisbursed funds and \$499,316 in uncommitted funds).

Outstanding loans, energy performance contract leases receivable and outstanding investments in portfolio companies at December 31, 2010 totaled \$4,421,167. An account receivable of \$5,979 to The Reinvestment Fund for operating expenses approved under the FY2010 operating budget. SDF's

⁹ A SREC sale on January 11, 2011 provided SDF with \$28,665 of additional income. Had this sale landed on the books in 2010, the deficit for the year would have been reduced to \$25,556.

liabilities at December 31, 2010 totaled \$122,690 and were comprised of general accounts payable and accrued expenses of \$35,862, grants payable of \$18,480 and amounts payable to third parties of \$68,348.

Audited financial statements for the year ending June 30, 2010 are available upon request by contacting Roger Clark, Fund Manager, Sustainable Development Fund, The Reinvestment Fund, 1700 Market Street, 19th Floor, Philadelphia, PA 19103.

SUSTAINABLE ENERGY FUND

(PPL Service Territory)

2009 – 2010 Update

<http://www.theseef.org>

INTRODUCTION

The Sustainable Energy Fund (SEF) was formed pursuant to a joint settlement agreement arising from the Pennsylvania Public Utility Commission's electric deregulation proceeding in 1998. SEF operates as a financially independent and self-sustaining private non-profit enterprise, fully incorporated as a 501(c)3 organization for charitable, educational, and scientific purposes. The goals of SEF are to breakdown financial and educational barriers to renewable energy and energy efficiency projects. SEF implements financial and educational programs in an entrepreneurial manner to ensure that there will continue to be a fund capable of performing according to its mission.

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 efficiency of energy utilization as well as reducing energy consumption through behavioral change.

Today, in addition to sustainable energy project funding, SEF engages in sustainable energy awareness efforts, provides sustainable energy education and intervenes in regulatory proceedings that impact energy conservation, energy efficiency or renewable energy.

SEF executes its mission in an entrepreneurial manner with the aide of volunteers, program sponsors and industry partners. Subsequently, SEF has seen its reach grow throughout the Commonwealth and beyond.

2009 REPORTING YEAR

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

Educational Initiatives

Today, more than ever, there is a need to create an awareness of energy conservation, energy efficiency and renewable energy which creates sustainable changes in energy consumption and generation behavior. Various programs, of which some are listed below, were created to provide tools to educate and to create a passion for sustainable energy.

Sustainable Energy Conference 2009 at Lafayette College, Easton PA

SEF launched its Sustainable Scholars Programs in 2005 with Solar Scholars™, a solar education initiative promoting the adoption and integration of renewable energy concepts and technologies into the curriculum of colleges and universities. Over the past several years, the conference has grown and evolved from one participant in 2005 to over 400 participants in 2009. In the preconference, attendees learned the basics of solar and wind science technologies system design and system installation. During the conference, attendees learned about other issues related to renewable energy such as manufacturing, government and public policy, finance, marketing, consumer trends, the ethics of global climate change and building a sustainable society. Due to the needs of dislocated workers, SEF partnered with the Workforce Investment Board to distribute 100 scholarships for the green job training session and 10 scholarships for the week-long conference. The full-day green jobs training was specifically added to aide those looking for careers in the new green economy.

Since the inception of the conference, SEF offered scholarships to 250 attendees, representing 94 teams from 69 different institutions. SEF also provided 20 solar installation grants totaling \$300,000. In exchange for the attendance scholarship support from SEF, each institution agreed to implement their experience and motivation they received during the conference to further renewable energy studies on their campuses and schools.

Educational Outreach

Sustainable Energy Fund continued their educational outreach to Pennsylvania's energy user to facilitate fact based energy decisions that include the long-term environmental and resource impacts of various energy sources. To meet this challenge SEF added new seminar topics to their existing portfolio. New topics included: Energy for the Non-Technical, How to Green Your Business, Act 129, and How to Finance Energy Projects.

Additional seminars for specific purposes:

1. Green Jobs for Dislocated Workers (specifically developed for dislocated Mack Truck workers)
2. About the SEF (specifically developed for a NEPA STEM Collaboration)

SEF provided expert speakers to community organizations for participation in panel and conference breakout sessions.

Regulatory Monitoring

SEF engaged in sustainable energy awareness efforts, provided sustainable energy education and intervened in regulatory proceedings that impact energy conservation, energy efficiency or renewable energy. SEF continues to represent ratepayers' interest in sustainable energy proceedings before the Public Utility Commission.

2009 PROGRAM RELATED INVESTMENTS

In these challenging economic times, there is a critical need to finance renewable energy and energy efficiency projects. Institutional lenders are tightening their lending criteria; therefore, feasible projects are finding it harder to obtain financing on commercially reasonable terms. Many entities have no ability to take advantage of grants, rebates and tax credits that may be available for renewable energy and energy efficient projects. SEF strives to find these projects and provide the gap financing to make the projects happen. Over the past year, SEF programs included: Small Business Lighting Retrofit Rebate Grants, Administration of a Pennsylvania Energy Harvest Grant, Program Related Investment-Loans, Allentown Buy-Down Program and Energy Service Provider Network.

Loans

In 2009, SEF committed to fund 18 projects totaling \$4,387,163. Of these commitments, funding of \$654,476 was provided on 7 of the projects. Information on these projects is listed below:

EMARR, Inc. is located in Hazleton, PA. EMARR is a nonprofit organization with the mission of remediation of blighted mine lands and acid mine drainage. The main services provided are to eliminate water quality problems that exist in the region of Luzerne County, PA and to reclaim unusable coal land. SEF disbursed \$125,000 to fund a 3 kW micro-hydro project until Pennsylvania Energy Harvest Grant proceeds were received. This micro-hydro will produce 25 kWh of renewable energy which will be used for passive treatment plant automation.

Reading Electric, Inc. is located in Reading, PA. Reading Electric is a manufacturer and wholesaler of electromechanical equipment. The company has been in business for over 50 years and employs 48 individuals. SEF disbursed a \$14,110, 3-year term loan on September 11, 2009 to support a lighting retrofit project. The loan proceeds were used to install 83 high-output fluorescent lighting fixtures at their 30,000 square foot operations area in Reading, PA. SEF's loan was disbursed in conjunction with a

Pennsylvania Department of Environmental Protection Small Business Energy Efficiency Grant for \$3,320. These lighting upgrades, totaling \$17,430, have a projected annual energy reduction of 46,181 kWh translating to an annual dollar savings of \$5,080.

Companion Animal Hospital, Inc. is located in Selinsgrove, PA. This company operates as a full-service veterinary medical facility which employs 25 individuals and four Doctors of Veterinary Medicine (DVM's) and has been in business since 1995. SEF committed a \$65,000, five and a half year term loan on December 9, 2009. The loan proceeds were used to install a solar thermal array to offset the energy consumption of producing hot water to heat the kennel, thereby eliminating the need for an oil-fired boiler. Annual energy savings as a result of this project can be reasonably projected as saving 1,556 gallons of fuel oil per year, resulting in annual dollar savings of \$4,279 at \$2.75 per gallon. The loan was done in conjunction with an SEF/PPL Small Business Energy Efficiency Grant of \$20,000, and a Pennsylvania Department of Environmental Protection Small Business Opportunity Grant of \$3,425. Total project cost was \$88,425

George F. Kempf Supply Company, Inc. is located in Philadelphia, PA. This a family-owned and operated business which sells building materials and supplies to contractors and sub-contractors who are primarily located in PA, NJ and DE. The company's products include drywall, metal studs, ceiling tiles, sheet rock and grid insulation along with 10,000 building material products. The company upgraded the lighting system at its Philadelphia headquarters and 206,000 square foot warehouse in West Philadelphia. These upgrades, costing \$147,288, have a projected annual energy reduction of 549,378 kWh translating to an annual savings of \$69,000.

Jewish Home of Greater Harrisburg is located in Harrisburg, PA. This a non-profit 501(c)(3) corporation organized in July of 1965 for the purpose of establishing and maintaining a home for the aged and infirmed and to provide shelter and healthcare services. The home consists of a 138-bed skilled nursing facility and a 64-bed assisted living facility. Jewish Home used the \$224,000 loan proceeds to weather-strip doors, seal air leaks above the acoustical ceiling tiles and redo the domestic hot water systems in both the assisted living and skilled nursing facilities. Annual energy savings for the hot water and weatherization projects are estimated to be \$25,666.

Diversified Information Technologies, Inc. is located in Scranton, PA. Diversified Information Technologies provides technology-based information management services including electronic mailroom processing, document and data capture and conversion, automated forms and healthcare claims processing, and internet-based access and retrieval. Diversified Information Technologies used the \$68,500 loan proceeds to upgrade the lighting system at the company's 182,300 square foot headquarters building. Annual energy savings for the lighting system upgrade are estimated at 255,790 kwh for 49% reduction in energy consumption. Estimated annual cost savings are \$23,788 per year.

H&A Diner, Inc., who operates under the trade name of Double D Diner is located in Coatesville, PA. This is a family restaurant that is open 7 days a week for breakfast, lunch and dinner. The \$10,578 loan proceeds were used to install seven KVAR energy controllers on the following pieces of equipment:

walk-in cooler, freezer, three roof-top air conditioner units, and two electrical breaker panels in the basement at the Double D Diner in Coatesville. Annual kWh saved is estimated to be 23,799, which translates to an annual savings of \$2,975.

ENERGY EFFICIENCY LOANS
ENERGY ANALYSIS FOR YEAR ENDING DECEMBER 31 ,2009

Project	Committed Funds	Kilowatt-hours generated per year	Kilowatt-hours saved per year
EMARR, Inc.	\$125,000	25	N/A
Reading Electric, Inc.	14,110	N/A	46,181
Companion Animal Hospital, Inc.	65,000	45,405	N/A
George F. Kempf Supply Company, Inc.	147,288	N/A	549,378
Jewish Home of Greater Harrisburg	224,000	N/A	253,074
Diversified Information Technologies, Inc.	68,500	N/A	255,790
H&A Diner, Inc., DBA Dould D Diner	10,578	N/A	23,799
Total	\$654,476	45,430	1,128,222

Grants

SBLRRG and Energy Efficiency Grants. SEF partnered with PPL to develop a grant program to assist small businesses in funding the costs of lighting retrofit and energy efficiency projects.

The Small Business Lighting Retrofit Rebate Program (SBLRRP) ran from July 14, 2008 through August 31, 2009. SEF received 76 qualified applicants, each of whom received a grant rebate under this Program. The total amount SBLRRG distributed was \$124,340

The cost and energy metrics of this Program were:

- \$905,779 in total project costs – average project cost: \$11,918
- 2,146,113 in total kWh saved – average kWh saved per project: 28,238
- \$218,284 in annual electric bill dollar savings (@ \$.102 per kWh) – average annual electric bill dollars saved per project: \$2,872

After expiration of the SBLLRG, the balance of the funds was granted to small businesses for energy efficiency projects.

Sir D's Catering. Located in New Cumberland, PA installed solar thermal/hot water and saw a 15% reduction of power usage.

Swim-in-Zone. Located in Center Valley, PA installed a power management system and saw a 15% reduction of power usage.

Brew Works. Located in Allentown, PA undertook an LED lighting retrofit and saw an 85% reduction of power usage.

Companion Animal Hospital. Located in Selinsgrove, PA installed solar thermal/hot water that is used to heat its kennel. This eliminated the oil-fired furnace.

Maude Alley. Located in Honesdale, PA installed a 69 kW photovoltaic solar system.

Phoenix Forging. Located in Catasauqua, PA undertook a T-5 lighting upgrade.

Donegal Square. Located in Bethlehem, PA undertook an LED lighting retrofit and saw an 85% reduction of power usage.

AFC First Financial. Located in Allentown, PA undertook an LED lighting retrofit and saw a 50% reduction of power usage.

ENERGY EFFICIENCY GRANTS
ENERGY ANALYSIS FOR YEAR ENDING DECEMBER 31 ,2009

Project	Committed Funds	Kilowatt-hours generated per year	Kilowatt-hours saved per year
76 Qualified small business lighting retro rebate program	\$124,340	N/A	2,146,113
Sir D's Catering	15,000	N/A	8,130
Swim-in-Zone	7,500	N/A	54,658
Brew Works	20,000	N/A	140,789
Companion Animal Hospital	20,000	45,405	N/A
Maude Alley	15,000	N/A	10,705
Phoenix Forging	3,050	N/A	2,793
Donegal Square	15,450	46,405	N/A
AFC First Financial	7,500	N/A	38,000
Total	\$227,840	91,810	2,401,188

Pennsylvania Energy Harvest Grant. In August of 2009, SEF was awarded a Pennsylvania Energy Harvest Grant to provide a compact manure digester for electricity generation and odor control. The technology for this digester offers significant advantages over conventional digestion systems such as small tankage requirements, lower system capital costs, lower system construction costs, tolerance to shock loading, small foot print requirements, ability to expand and ability to quickly recover from adverse operating conditions. The digester is being installed at the Mains Dairy Farm in Newville, PA, a 910 cow dairy farm, and will treat over 91,300lbs of manure per day. As a result, the expected electric generation is between 100,000 to 140,000 kWh per year. The grant of \$220,964 will provide partial funding for the project which has an estimated cost of \$566,175. The project will be completed in August of 2011.

Programs

Allentown Buy-Down Program. SEF and the City of Allentown partnered together to offer a Small Business Energy Loan interest rate buy-down program. The program is available to public and nonprofits located within the Allentown city limits and remain active in 2011. The interest rate buy-down is from 6.5% to 1.5% on the first \$25,000 of an energy efficiency or renewable energy project.

Additional funding is available if needed. This program improves the feasibility of the participant's project. Loan terms are extended up to five years and are structured to use the energy savings from the measures to pay back the cost of the loan. Lower financing costs allow more energy efficiency measures to be included in the projects.

Energy Service Provider Network. In order to locate and develop these projects, SEF created a network of service providers who work in the renewable energy/energy efficiency field. Through their direct interaction with their customers, these providers have a pulse on the market place. Communication via the network allows SEF to develop financial tools and products to assist the project owner in meeting funding needs.

2009 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. Green Connexions continues to research opportunities.

2009 ADDITIONS TO STAFF

Chris Flynn, Business Development Specialist, holds an Executive MBA from Penn State University. During this course he developed a successful business plan for an 8MW solar utility. Mr. Flynn worked in the banking and finance industry in the U.S. and Europe for over 10 years. He has extensive experience in the non-profit community in program development, fundraising, marketing and event management.

Jessica Mauro, Program Leader, holds a Bachelor of Arts in Political Science from Penn State University with a minor in Science, Technology and Society from the Department of Engineering. Prior to her employment at SEF, Ms. Mauro served as Program Coordinator for Lehigh University's Environmental Initiative Program and as a Naturalist and Environmental Education Teacher at Wildlands Conservancy.

2009 BOARD ACTIVITIES

During the SEF's 2009 Annual Meeting, Mr. Andrew Stein was reappointed as SEF's Chairman of the Board. Mr. Scott Paterno replaced Eric Epstein as Vice Chairman and Fr. John Ryan replaced Mr. Alan Roman as Secretary/Treasurer.

The Board reviews governance, policy, and structure. There are three standing committees: Finance, Human Resources and Program Related Investment. The Finance Committee also functions as the Board Audit Committee and the Board Investment Committee. Over the past year, the SEF Board met six times. As of December 31, 2009, the SEF Board of Directors consisted of:

- Andrew Stein, Chairman
- G. Scott Paterno, Vice Chairman
- Fr. John Ryan, Secretary/Treasurer
- Alan A. Roman, Director
- Gary F. Lamont, Director
- Eric Epstein, Director

2009 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, 2009, SEF's internal financial statements show total income of \$632,132 and total expenses of \$1,700,361. Unrealized Gains/Losses were \$2,051,393 for a consolidated net income of \$983,264. The Balance Sheet reports assets at \$20,283,559 and liabilities at \$184,799. Included in assets are program related investments of \$4,646,336.

Audited financial statements for the year ending June 30, 2009 are available upon request by contacting Sally Kratz, Accountant, Sustainable Energy Fund, 1005 Brookside Road Suite 210, Allentown, PA, 18106.

2010 REPORTING YEAR

2010 HIGHLIGHTS AND ACCOMPLISHMENTS

Educational Initiatives

SEF's educational programs are branded as Energypath to denote that although a sustainable energy future may be our destination, true understanding is developed during the journey not by reaching the destination. True understanding will provide energy users with the knowledge they need to overcome the obstacles they will encounter on their path to a sustainable energy future.

During the last year SEF saw continued growth of its educational programs including the Sustainable Energy Conference, educational series and speakers' bureau. In addition, the PA Department of Education approved the SEF as an Act 48 continuing professional education provider. Details of these programs are listed below:

Sustainable Energy Conference 2010 at Lehigh University, Bethlehem PA

The 2010 Sustainable Energy Conference was held on July 12-16, 2010, at Lehigh University in Bethlehem, Pennsylvania. The pre-conference book camp started Monday morning and went through Wednesday at noon. The industry's top sustainable energy trainers led pre-conference boot camps in solar photovoltaic, solar thermal, wind energy and energy efficiency. Each boot camp integrated hands-on activity, information on the technology behind the science, interaction among participants and information on the political events affecting the industry. To facilitate learning for participants with different levels of knowledge and skill sets, each boot camp had a mix of educators, students and dislocated workers. Wednesday afternoon through Friday at noon was the actual conference which focused on green jobs, economic development, environmental policy and education and included over 60 seminars and more than 50 speakers. Concurrent with the conference was an exhibition that included exhibitors from local and regional energy efficiency and renewable energy generation contractors as well as working displays of renewable technologies.

For the 2010 conference, 141 boot camp scholarships were provided to students, educators and dislocated workers. Conference participation totaled over 420 participants and included the scholarship participants, general public, expo participants and speakers.

Educational Outreach

SEF continued its educational outreach to facilitate fact based energy decisions that include the long-term environmental and resource impacts of various energy sources. To meet this challenge SEF added new topics to its existing portfolio. New seminar topics included: Green to Green, What is Sustainability?, and an SREC seminar. Existing seminar topics included: Act 129 and Funding, Energy Finance 101, Energy for the Non-Technical Manager, and What is PA Doing?

Additional seminars/conference for specific purposes:

1. EPA/SEF Sustainability Energy Plan for Lehigh Valley
2. City of Allentown Energy Conservation Program
3. Pennsylvania Environmental Resource Consortium Conference
4. CAN DO Energy Education Conference
5. Lehigh University Earth Day

SEF provided expert speakers to community organizations for participation in panel and conference breakout sessions.

Green Bag Lunches

To continue the education mission, SEF initiated Green Bag Lunches. Through the Green Bag Lunch seminar series, SEF hopes to reach an all-encompassing audience that is interested in gaining insight on sustainable energy technologies. Green Bag Lunches are an opportunity for those who are interested in

sustainability and renewable energies to attend, free of charge, a luncheon seminar. Green Bag Lunches commenced in September 2010 with monthly seminars in the Allentown and Harrisburg areas. Seminar topics included: Marcellus Shale, Energy Finance Basics, and Solar Thermal. Average monthly participation per seminar was approximately 15 participants.

Resource Booklet

SEF researched and maintains a comprehensive catalog of resources designed to help Pennsylvanians locate grants, loans and other sources of funding for renewable energy and energy efficiency projects. The information is provided both via the internet (www.energypath.com or www.theseef.org) and is available in hard copy for those without internet access.

Regulatory Monitoring

SEF engaged in sustainable energy awareness efforts, provided sustainable energy education and intervened in regulatory proceedings that impact energy conservation, energy efficiency or renewable energy. SEF continues to represent ratepayers' interest in sustainable energy proceedings before the Public Utility Commission.

2010 PROGRAM RELATED INVESTMENTS

SEF provides flexible high-quality financing for economically viable, energy efficiency, and renewable energy projects for nonprofits and businesses of all sizes. Unlike a traditional commercial bank, the SEF has the technical and financial expertise to understand these projects and their unique financial requirements. Loan payments are custom-sized for each project to be less than the monthly energy savings, creating a positive cash flow.

Even though last year was economically challenging for many commercial and nonprofit enterprises, SEF saw an increase in demand for financing energy efficiency and renewable energy projects. As institutional lenders tightened their lending criteria and avoided risk, developers of economically viable projects found it harder to obtain financing while at the same time seeing an increase in government driven financial incentives. SEF stepped into the market and provided short-term financing to cover government grants and rebates in addition to the longer-term financing we have always provided. These projects ranged from lighting retrofits to micro-hydro.

Loans

SEF committed to fund 19 projects totaling \$7,565,990. Funding of \$8,359,619 was provided on projects committed to in 2009 and 2010. Information on these 2010 committed projects is listed below:

All American Recycling Corporation is located in Jersey City, NJ. The company recycles wastepaper which they sell to foreign and domestic paper mills that make tissue paper, consumer packaging, etc.

They were incorporated in 1981 and currently employ 135 full-time employees. SEF disbursed a \$44,064, one-year term loan on May 24, 2010 to support a lighting retrofit project. The loan proceeds were used to upgrade the lighting system at the company's headquarters operation. These lighting upgrades, totaling \$44,064, have a projected annual energy reduction of 444,567 kWh translating to an annual dollar savings of \$59,127.

Callen-Kinback, Inc. is located in Lemoyne, PA. This company provides a full line of automotive repair services and is also a retail tire outlet for Goodyear Tire and Rubber Company. The company currently employs 10 individuals and has been in business since 1982. SEF closed a \$179,900, ten and half year term loan on January 11, 2010 to support the design and installation of a grid-tied, code-compliant, roof-mounted 25.8 kW solar photovoltaic (PV) electrical system array on their commercial retail store. Total project cost was \$179,960. This project will generate approximately 30,789 kWh of AC electrical production per year, saving the client approximately \$4,064 annually.

Louis Tannen Fine Carpentry is located in the University City section of West Philadelphia, PA. This sole proprietorship does historic restorations, custom wood moldings and trimmings, house remodeling, custom cabinets and general carpentry. SEF disbursed a \$55,174, five and a half year term loan on February 3, 2010 to support the design and installation of a grid-tied, code-compliant, roof mounted seven kW solar photovoltaic (PV) electrical system on the business real estate. Total project cost was \$55,174 and will generate approximately 7,764 kWh of AC electrical production per year, saving the client approximately \$745 annually.

Spiral Path Farm, LLC. is located in Loysville, PA. This farm, which had been in business for 32+ years, has been certified organic (requires the elimination of toxic chemicals and fertilizers) by the United States Department of Agriculture. The farm consists of 188 acres and grows a wide variety of vegetables, fruits and herbs which they primarily sell under a 2,000 member Community Supported Agriculture (CSA) program. SEF disbursed a \$972,000, short-term, nine-month loan to install a 144.9 kW ground-mounted, solar photovoltaic (PV) electrical system on the agricultural real estate. Total project cost was \$972,000. Total project cost, per watt, is \$6.71. This project will generate approximately 172,919 kWh of AC electrical production per year, saving the client approximately \$17,292 annually.

Lacey Electric, Inc. is located in Leesport, PA. The company, which has been in business since 1979, operates as a full-service design-build electrical contractor performing residential, commercial and industrial construction for customers located throughout central and eastern Pennsylvania. SEF closed a \$242,000, five and a half year term loan to support the design and installation of a grid-tied, code-compliant, roof-mounted 32.8 kW solar photovoltaic (PV) electrical system array on their commercial office. Total project cost was \$242,000 and will generate approximately 36,779 kWh of AC electrical production per year, saving the client approximately \$5,517 annually.

Garrod Hydraulics, Inc. is located in York, PA. This company's expertise is the repair and remanufacturing of hydraulic cylinders and industrial hard chrome plating. The business currently employs 38 individuals (35 full-time) and has been in business since 1978. SEF provided a \$1,110,400,

ten and three-quarter year term loan to support the design and installation of a grid-tied, code-compliant, roof-mounted 200.64 kW solar photovoltaic (PV) electrical system array on the company's industrial plant. Total project cost was \$1,110,400. This project will generate approximately 239,438 kWh of AC electrical production per year, saving the client approximately \$22,986 annually.

217 Realty, LLC is located in Collingdale PA. This company is a real estate holding company that operates a two-story office and warehouse investment building. SEF provided a \$204,477 term loan that will balloon in full on June 1, 2014 for the purpose of installing an 88.98 kW ballasted roof-mounted solar power plant system at the investment real estate location. Total project cost was \$584,220 and will generate approximately 107,215 kWh of AC electrical production per year, saving the client approximately \$10,293 annually. This is a Participation Loan with The Reinvestment Fund, Inc. of Philadelphia using a 50% share for each lender.

Community Energy, Inc (CEI) is located in Radnor, PA. This company is engaged in the solar and wind generation business. CEI was established in 1999 and currently employs 23 individuals. SEF provided a \$750,000, five and a half year term loan, with a three and a half year balloon payment. SEF's loan proceeds, taken in stages as needed, were used to develop four solar projects and one wind project within the State of Pennsylvania. With the development of these four Pennsylvania solar and wind projects, Community Energy anticipates a total of 1,940,340 MWh per year in new energy production.

Kautz Construction Company is located in Lancaster, PA. This company was established in 1995 and is a family-owned company operating as a provider of commercial and construction services to the hospitality industry. SEF provided a \$414,500, seven and a half year term loan on June 25, 2010 to support the design and installation of a grid-tied, code-compliant, roof-mounted 62.37 kW solar photovoltaic (PV) electrical system array on their commercial office building in Lancaster. Total project cost was \$414,500 and will generate approximately 74,430 kWh of AC electrical production per year.

Fegley Management & Energy LLC is located in Allentown, PA. This company was established in 2009, is a family-owned company which operates as a full-service management and solar energy company. SEF provided a \$292,824, five and a half year term loan on June 11, 2010 to support the design and installation of a grid-tied, code-compliant, roof-mounted 42 kW solar photovoltaic (PV) electrical system array on their restaurant. Total project cost was \$292,824 and will generate approximately 44,439 kWh of AC electrical production per year, saving the client approximately \$4,311 annually. This loan was part of the Allentown Buy-Down Program described in this report.

Sunburst Property Management, Inc. is located in Allentown, PA. This company was established in 1985, and is a real estate management company that manages over 500 residential units and 300,000 square feet of commercial office space. SEF provided a \$207,900, five and a half year term loan on May 12, 2010 to support the design and installation of a grid-tied, code-compliant, roof-mounted 37.8 kW solar photovoltaic (PV) electrical system on the commercial office building. Total project cost was \$207,900 and will generate approximately 44,766 kWh of AC electrical production per year, saving the client

approximately \$4,298 annually. This loan was part of the Allentown Buy-Down Program described in this report.

Thomas Jefferson University is located in Philadelphia, PA. This University is a non-profit 501 (c) (3) corporation organized in 1824 for the purpose of training and educating individuals in the field of medicine. SEF provided an \$892,269, eight year term loan on February 19, 2010 to update HVAC controls, energy efficient lighting upgrades, variable speed drive motors for air handlers and several steam measures involving sterilizing and washing equipment. Total cost of this project was \$2,069,186 and is estimated to have an annual energy savings of 1,583,528 kWh of electricity and an annual savings of \$364,000. This is a Participation Loan with The Reinvestment Fund, Inc. of Philadelphia using a 50% share for each lender.

Seldom Rest Farm is located in Myerstown, PA. This farm was established in 2002 and is a family-owned business which produces hatching eggs for Longenecker's Hatchery and a 17,000 breeder chicken facility. SEF provided a \$162,000, nine month interest only loan on August 20, 2010, balance was due in full on the ninth month. The loan proceeds were used for the design and installation of a grid-tied, code-compliant, ground-mounted 101.2 kW solar photovoltaic (PV) electrical system array on the farm. Total cost of the project was \$607,200 and will generate approximately 125,035 kWh of AC electrical production per year, saving the client approximately \$11,594 annually.

AquaPhoenix Scientific, Inc. is located in Hanover, PA. This corporation was established in 1997 and is an S-Corporation which operates as a manufacturer and distributor of chemical and scientific kits for manufacturers, wholesalers and distributors in the industrial and education markets worldwide. SEF provided a \$1,337,000, five and a half year term loan on October 25, 2010 to support the design and installation of a grid-tied, code compliant, roof-mounted 201.6 kW solar photovoltaic (PV) electrical system. Total project cost was \$1,337,000 and will generate approximately 225,450 kWh of AC electrical production per year, saving the client approximately \$21,643 annually.

Potocnie Enterprise, Inc., DBA Overhead Door of Allentown is located in Whitehall, PA. This company was established in 1962 as a distributor of overhead garage doors for both residential and commercial markets. SEF provided a \$118,900, six month interest only loan with full principal balance due on the sixth month. The loan proceeds were used for the design and installation of a grid-tied, code-complaint, roof-mounted 60 kW solar photovoltaic (PV) electric system array on the business. Total cost of the project was \$288,000 and will generate approximately 72,500 kWh of AC electrical production per year, saving the customer approximately \$6,858 annually.

Farm and Garden Station, LLC is located in Warminster, PA. This company was established in 2001 and is a family-owned retail nursery selling various plants and horticultural related items. SEF provided a \$136,000, five and a half year term loan on December 8, 2010 to support the design and installation of a grid-tied, code-complaint, ground-mounted 28.8 kW solar photovoltaic (PV) electric system array on the property. Total cost of the project was \$195,990 and will generate approximately 31,680 kWh of AC electrical production per year, saving the customer approximately \$3,267 annually.

Meck Energy Partners, LLC is located in Orwigsburg, PA and was established in 2009. The entity was formed solely to own the solar facility at Fessler Knitting located in Deer Lake, PA. SEF provided a \$653,616, nine month short-term loan on December 21, 2010 to support the design and installation of a grid-tied, 448 kW solar photovoltaic (PV) electric system array on the property. Total cost of the project was \$2,078,720 and will generate approximately 530,561 kWh of AC electrical production per year, saving the customer approximately \$51,000 annually.

HACAG, LLC is located in Hazleton, PA and was established in 2008. They provide off-campus student housing at the Penn State Hazleton campus. SEF provided a \$319,125, five and a half year term loan on December 15, 2010 to support the design and installation of a grid-tied, roof-mounted 55.5 kW solar photovoltaic (PV) electrical system array on the residence housing. Total cost of the project was \$319,125 and will generate approximately 61,751 kWh of AC electrical production per year, saving the customer approximately \$5,928 annually.

Michael Dinich is located in Athens, PA. This is a sole-proprietorship that provides financial planning, portfolio management and tax planning and has been in business since 1999. SEF provided a \$170,000, five year term loan on December 20, 2010 to support the design and installation of a grid-tied, roof-mounted 21.42 kW and a 9.52 kW ground mounted solar photovoltaic (PV) electrical system array on the business. The total cost of the project was \$230,170 and will generate 36,650 kWh of AC electrical production per year, saving the customer approximately \$3,393 annually.

Phantom Entertainment is located in Carlisle, PA. This company was established in 1979 and rents equipment (dunk tanks, mechanical bulls, karaoke equipment and costumes) to various organizations for private parties and fund raisers. SEF provided a \$97,470, five and a half year term loan on December 21, 2010 to support the design and installation of a grid-tied, ground-mounted 20.52 kW solar photovoltaic (PV) electrical system array on the business. Total cost of the project was \$97,470 and will generate 27,228 kWh of AC electrical production per year, saving the customer approximately \$2,995 annually.

ENERGY ANALYSIS FOR SEF FUNDED PROJECTS

YEAR ENDING DECEMBER 31,2010

Project	Committed Funds	Kilowatt-hours generated per year	Kilowatt-hours saved per year
All American Recycling Corp.	\$44,064	N/A	444,567
Callen-Kinback, Inc.	179,900	N/A	30,789
Louis Tannen Fine Carpentry	55,174	N/A	7,764
Spiral Path Farm, LLC.	972,000	N/A	172,919
Lacey Electric, Inc.	242,000	N/A	36,779
Garrod Hydraulics, Inc.	1,110,400	N/A	239,438
217 Realty, LLC	204,477	N/A	107,215
Community Energy, Inc.	750,000	N/A	1,940,340
Kautz Construction Company	414,500	N/A	74,430
Fegley Management & Energy, LLC	292,824	N/A	44,439
Sunburst Property Management, Inc.	207,900	N/A	44,766
Thomas Jefferson University	895,269	N/A	1,583,528
Seldom Rest Farm	162,000	N/A	125,035
AquaPhoenix Scientific, Inc.	1,337,000	N/A	225,450
Potocnie Enterprises, Inc. DBA Overhead Door of Allentown	118,900	N/A	72,500
Farm and Garden Station, LLC	136,000	N/A	31,680
Meck Energy Partners, LLC	653,616	N/A	530,561
HACAG, LLC	316,125	N/A	61,751
Michael Dinich	170,000	N/A	36,650
Phantom Entertainment	97,470	N/A	27,228
Total	\$8,359,619		5,837,829

Grants

Pennsylvania Energy Harvest Grant. In August of 2009, SEF was awarded a Pennsylvania Energy Harvest Grant to provide a compact manure digester for electricity generation and odor control. The technology for this digester offers significant advantages over conventional digestion systems such as small tankage requirements, lower system capital costs, lower system construction costs, and tolerance to shock loading, small foot print requirements, ability to expand, and ability to quickly recover from adverse operating conditions. The digester is being installed at the Mains Dairy Farm in Newville, PA, a 910 cow dairy farm, and will treat over 91,300lbs of manure per day. As a result, the expected electric generation is between 100,000 to 140,000 KW-H per year. The grant of \$220,964 will provide partial funding for the project which has an estimated cost of \$566,175. The project will be completed in August of 2011.

Programs

Allentown Buy-Down Program. SEF and the City of Allentown continued their Small Business Energy Loan interest rate buy-down program. The program is available to public and nonprofits located within the Allentown city limits. The interest rate buy down is from 6.5% to 1.5% on the first \$25,000 of an energy efficiency or renewable energy project. Additional funding is available if needed. Loan terms are extended up to five years and are structured to use the energy savings from the measures to pay back the cost of their loan. In 2010, Sunburst Property Management and Fegley Management & Energy LLC participated in the program. Information about each of these loans can be found in the Program Related Investment-Loan section of this report.

Energy Service Provider Network. In order to locate and develop these projects, SEF created a network of service providers who work in the renewable energy/energy efficiency field. Through their direct interaction with their customers, these providers have a pulse on the market place. Communication via the network allows SEF to develop financial tools and products to assist the project owner in meeting their funding needs.

2010 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. Green Connexions continues to research opportunities.

2010 ADDITIONS TO STAFF

Brian Becker, Marketing Manager and Program Funding Manager, holds a Bachelor of Science in Business Administration from Southern Adventist University. Prior to his employment at SEF, Mr. Becker was Director of Marketing and Recruiting for Auburn Adventist Academy and Shenandoah Valley Academy. He has extensive experience in the non-profit community in marketing, graphic design, and website development.

Scott DeStefon, Underwriter-Investment Analyst, holds a Bachelor of Science from East Stroudsburg University. Prior to his employment at SEF, Mr. DeStefon served as Branch Manager for Sovereign Bank, Household Financial Corp. and American General Finance. He was also Operations/Production Manager with Chase Home Finance.

Jennifer Kucheravy, Administrative Assistant, attended Old Dominion University. Prior to her employment at SEF, Ms. Kucheravy served as Administrative Assistant for an architecture firm and a management consulting service firm. She attended several computer training courses and is a PA notary.

2010 BOARD ACTIVITIES

During the SEF's 2010 Annual Meeting, Mr. Andrew Stein was reappointed as SEF's Chairman of the Board and Fr. John Ryan was reappointed as Secretary/Treasurer. Ms. Pam Polacek replaced Mr. Scott Paterno as Vice Chairman.

The Board reviews governance, policy, and structure. There are three standing committees: Finance, Human Resources, and Program Related Investment. The Finance Committee also functions as the Board Audit Committee and the Board Investment Committee. Over the past year, the SEF Board met eight times. As of December 31, 2010, the SEF Board of Directors consisted of:

- Andrew Stein, Chairman
- Pamela Polacek, Vice Chairman
- Fr. John Ryan, Secretary/Treasurer
- Alan A. Roman, Director
- G. Scott Paterno, Director
- Kenneth L. Mickens, Director
- Eric Epstein, Director

2010 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, 2010, SEF's internal financial statements show total income of \$311,032 and total expenses of \$1,265,539. Unrealized Gains/Losses were \$1,346,610 for a consolidated net income of \$392,103. The Balance Sheet reports assets at \$22,744,364 and liabilities at \$2,257,548. Included in assets are program related investments of \$8,665,009.

Audited financial statements for the year ending June 30, 2009 are available upon request by contacting Sally Kratz, Accountant, Sustainable Energy Fund, 1005 Brookside Road Suite 210, Allentown, PA, 18106.

WEST PENN POWER SUSTAINABLE ENERGY FUND, INC.

(West Penn Power Service Territory)

2009- 2010 UPDATE

<http://www.wppsef.org/>

INTRODUCTION

In 2009, the West Penn Power Sustainable Energy Fund (WPPSEF) entered its eighth year of providing funding to:

- Promote the use of renewable and clean energy;
- Promote energy conservation and energy efficiency; and
- Promote the start-up, attraction, expansion, and retention of sustainable energy businesses.

The WPPSEF activities continued to increase from previous years as its programs and initiatives became more visible within the West Penn Power (WPP) service region and across the Commonwealth.

2009 REPORTING YEAR

2009 HIGHLIGHTS AND ACCOMPLISHMENTS

During 2009, the WPPSEF Board approved \$1,374,650 to co-fund 20 funding requests. Key accomplishments in 2009 include:

Investing in clean energy. The WPPSEF committed \$500,000 to support the expansion of Plextronics Plexcore PV printed solar manufacturing technology. Plexcore PV is an advanced ink system for use in printed solar power systems.

The WPPSEF also committed co-funding to support the installation of a 20 kW solar photovoltaic (PV) system at Saint Vincent College in Latrobe, PA. The solar PV system will be part of a major new construction/renovation project at the College. The project involves the construction of a 45,000 square foot science facility and the renovation of approximately 60,000 square feet of adjacent facilities. Saint Vincent is constructing to LEED-design standards.

Investing in energy efficiency. The WPPSEF continues the support of its PA Home Energy program by allocating up to \$750,000 for program support in 2009. PA Home Energy is focused on establishing ENERGY STAR residential building programs in PA. PA Home Energy uses ENERGY STAR Qualified Homes for new home construction and Home Performance with ENERGY STAR to service existing housing stock. The WPPSEF is the U.S. Environmental Protection Agency (EPA) Home Performance with ENERGY STAR Program Sponsor for Pennsylvania. Each year, the EPA and the US Department of Energy (DOE) honor

organizations that have made outstanding contributions to protecting the environment through energy efficiency. The goal of this award is to recognize comprehensive, high performing energy efficiency programs that have directly leveraged ENERGY STAR to achieve significant impact in the marketplace for advancing energy efficiency. The WPPSEF was formally recognized by EPA in 2009 and PA Home Energy received a *Special Recognition for Excellence in Home Performance with ENERGY STAR* award for its 2008 program achievements. This recognition was a nationally competitive award.

Investing in education and public outreach. In 2009, the WPPSEF made several commitments to support local and national organizations through membership commitments. In addition, the WPPSEF worked with Penn State’s Learning Factory to explore the design and prototyping of a residential energy dashboard.

The WPPSEF strived to maintain a balance of funding to support clean energy generation, energy efficiency and conservation, and public education/ outreach. In all three of these categories, the WPPSEF seeks to support job growth whenever possible.

2009 FINANCIAL APPROVALS

The WPPSEF financial approvals in 2009 can be broken down into the following categories: loans, strategic initiatives developed by the WPPSEF, and grants (includes grants, sponsorships, memberships).

Loans

Business	Amount	Comments
Plextronics, Inc.	\$500,000	Funding to expand OLED/OPV vapor deposition equipment.
<i>Investment Total</i>	<i>\$500,000</i>	

Strategic Initiatives

Business	Amount	Comments
PA Home Energy	\$750,000	WPPSEF continues to support and deploy ENERGY STAR construction programs that utilize a comprehensive whole house approach to improve residential energy efficiency (ENERGY STAR Qualified Homes for new home construction and Home Performance with ENERGY STAR for existing homes). PA Home Energy is training Service Providers to both RESNET and BPI standards.
<i>Total Strategic Initiatives</i>	<i>\$750,000</i>	

Grants/ Memberships/ Sponsorships

Business	Amount	Comments
Saint Vincent College	\$100,000	Installation of 20 kW solar PV system on LEED Gold Designed Science Center
Learning Factory (Penn State)	7,500	Student research/ prototype development of residential home energy dashboard
American Wind Energy Association	500	2009 & 2010 Memberships
Pellet Fuels Institute	1,000	2009 & 2010 Memberships
PA Housing Research Center	2,000	2009 & 2010 Memberships
American Solar Society	200	2010 Membership
PA Sustainable Agriculture Association	200	2009 & 2010 Memberships
Alternative Fuels Renewable Energy Council	1,500	2009 & 2010 Memberships
Penn Future Center for Sustainability	7,500	2009 Membership/ Conference Sponsorship
Efficiency First	2,000	2009 & 2010 Memberships
Green Building Association of Central PA	2,250	2009 & 2010 Memberships

Total Grants/ memberships/ \$124,650 sponsorship

2009 WPP SEF ADMINISTRATION

The WPPSEF administration consists of a seven-member board of directors that provides oversight to the Fund and an administrative staff that oversees the day-to-day operations. Individual board members are selected by the Fund through a search and external nomination process. The WPPSEF Board reviews all applicants and then submits their recommendation to the Pennsylvania Public Utility Commission for final approval. All of the board members serve on a volunteer basis.

The WPPSEF Board of Directors as of December 31, 2009, was:

- Michele Ponchione, President
- Cassandra Robinson, Vice President
- Rob Hosken, Secretary
- Pat O'Brien, Treasurer
- John Walliser, Director
- Jim Stark, Director

As of December 31, 2009 the WPPSEF has one board seat vacancy. This position is currently being filled using the Best Practice Guidelines for the Nomination, Election, and Approval of Directors developed by the Pennsylvania Sustainable Energy Board.

The WPPSEF Board of Directors selected The Pennsylvania State University Energy Institute to serve as the Fund's administrator and the Economic Growth Connection of Westmoreland to provide financial services to the Fund. In addition, the Fund utilizes the services of external consulting firms on an as-needed basis.

The WPPSEF staff as of December 31, 2009, was:

- Joel Morrison and Barbara Robuck
 - The Pennsylvania State University (The EMS Energy Institute)
- John Skiavo, James Smith, and Carolyn Berkey
 - Economic Growth Connection of Westmoreland

WPP SEF Board Meetings

The WPPSEF schedules its board meetings at the beginning of each calendar year. Full board meetings are scheduled for every two months. In addition, the WPPSEF Board developed three ad-hoc working groups (administrative, investment, and grant-making) that meet on an as-needed basis.

In 2009, the WPPSEF Board of Directors met on:

- February 12 (Greensburg, PA)
- April 9 (Greensburg, PA)
- June 18 (Greensburg, PA)
- August 13 (Pittsburgh, PA)
- October 8-9 (Bethesda, MD)
- December 10 (Charleroi, PA)

WPP SEF Website

The WPP SEF website is updated throughout the calendar year as new projects are funded and programs developed. The WPP SEF website is at <http://www.wppsef.org>.

WPP SEF Logo Redesign

The WPPSEF logo was redesigned in the summer of 2008 and the new design was approved on November 14, 2008. The use of the new WPPSEF logo was launched on January 1, 2009.

Planned 2010 Activities

The WPPSEF will focus on two broad categories in the 2010 timeframe. They are:

Bioenergy. The WPPSEF will continue to seek out projects that use Pennsylvania indigenous biomass resources for the production of clean power/heat generation. The WPPSEF will expand its efforts to seek out investment opportunities in residential, commercial, and light industrial applications for bioenergy.

Energy Efficiency. The WPPSEF will continue to work on laying a solid foundation for the PA Home Energy program in 2010. The WPPSEF will work with AFC First Financial to begin the transition of the PA Home Energy program to the private sector.

2010 REPORTING YEAR

2010 HIGHLIGHTS AND ACCOMPLISHMENTS

In 2010, the West Penn Power Sustainable Energy Fund (WPPSEF) entered its ninth year of providing funding to:

- Promote the use of renewable and clean energy;
- Promote energy conservation and energy efficiency; and
- Promote the start-up, attraction, expansion, and retention of sustainable energy businesses.

The WPPSEF activities continued to increase from previous years as its programs and initiatives became more visible within the West Penn Power (WPP) service region and across the Commonwealth.

During 2010, the WPPSEF Board approved \$1,859,450 to co-fund 16 funding requests. Key accomplishments in 2010 include:

Investing in clean energy. The WPPSEF committed a \$1,100,000 loan to BT Energy, Inc. to install a 189 kW solar photovoltaic (PV) system at REI's Bedford distribution center. The loan was approved to provide \$750,000 in bridge construction financing and \$350,000 in permanent financing.

Investing in energy efficiency. The WPPSEF continues its support and the transitioning of the PA Home Energy program to the private sector in 2010. WPPSEF committed an additional \$307,500 for program support in 2010. The WPPSEF is working to transfer the program administration and the EPA Home Performance with ENERGY STAR program sponsorship to AFC First Financial in Allentown, PA where it will be integrated into the Keystone Home Energy Loan Program (Keystone HELP). This consolidation

will reduce program costs while improving program quality and deliverability. It is anticipated that this transition will be completed in 2011.

Investing in education and public outreach. In 2010, the WPPSEF made several commitments to support local and national organizations through membership commitments. In addition, the WPPSEF worked with the Western Area Career and Technical Center (WACTC) in Canonsburg, PA to co-fund the construction of an Adult Learning Center to ENERGY STAR standards. This project, which is to be constructed by WACTC students and staff will be a “living classroom” where future students can learn about high performance construction practices.

2010 FINANCIAL APPROVALS

The WPPSEF financial approvals in 2010 can be broken down into the following categories: loans, strategic initiatives developed by the WPPSEF, and grants (includes grants, sponsorships, memberships).

Loans

Business	Amount	Comments
BT Energy II	\$750,000	Bridge funding to install a 189 kW solar PV system at REI Bedford distribution center.
BT Energy II	350,000	Permanent financing for the 189 kW solar PV system at REI Bedford distribution center.
Total Investment	\$1,100,000	

Strategic Initiatives

Business	Amount	Comments
PA Home Energy	\$307,500	WPPSEF is transitioning the PA Home Energy to the private sector. PA Home Energy deploys ENERGY STAR construction programs that utilize a comprehensive whole house approach to improve residential energy efficiency (ENERGY STAR Qualified Homes for new home construction and Home Performance with ENERGY STAR for existing homes).
PA Biomass Working Group	112,500	The WPPSEF is assisting the PA biomass industry that is focused on utilizing sustainable biomass feedstocks for thermal and combined heat and power applications.
Total Strategic Initiatives	\$420,000	

Grants/ Memberships/ Sponsorships

Business	Amount	Comments
Women In Need	\$86,250	Co-funding for a new LEED Silver designed 10,900 square foot domestic violence facility.
Western Area Career and Technology Center	44,000	Student construction of an Adult Learning Center to ENERGY STAR standards.
Borough of Chambersburg	40,000	Support to develop a whole house residential energy efficiency energy audit/ improvement program in the Borough for low-income homes.
Action Housing	10,000	Co-funding for Energy Scorecard
PennTAP	45,000	Support for DOE Save Energy Now industrial energy efficiency deployment
Westmoreland County Community College	77,000	Workforce development program for Building Analyst I training and curriculum development
ACI	25,000	Sponsorship for 2011 PA Home Energy Conference
Green Building Alliance (Pittsburgh)	2,500	2011 Sponsorship
American Solar Society	200	2011 Membership
Alternative Fuels Renewable Energy Council	750	2011 Membership
Penn Future Center for Sustainability	7,500	2011 Sponsorship
Green Building Association of Central PA	1,250	2011 Sponsorship

Total Grants/ memberships/ sponsorships ***\$339,450***

2010 WPP SEF ADMINISTRATION

The WPPSEF administration consists of a seven-member board of directors that provides oversight to the Fund and an administrative staff that oversees the day-to-day operations. Individual board members are selected by the Fund through a search and external nomination process. The WPPSEF Board reviews all applicants and then submits their recommendation to the Pennsylvania Public Utility Commission for final approval. All of the board members serve on a volunteer basis.

The WPPSEF Board of Directors as of December 31, 2010, was:

- John Walliser, President
- Gwen Auman, Vice President
- Jim Stark, Secretary
- Pat O'Brien, Treasurer
- Rob Hosken, Director
- Michele Ponchione, Director

In May 2010, the WPPSEF Board approved the nomination of Ms. Gwen Auman to serve on the WPPSEF Board. The nomination received PUC approval in June 2010. In April 2010, Ms. Cassandra Robinson resigned from the Board. Ms. Robinson represented Allegheny Power. As of December 31, 2010 the WPPSEF has one board seat vacancy.

The WPPSEF Board of Directors selected The Pennsylvania State University Energy Institute to serve as the Fund's administrator and the Economic Growth Connection of Westmoreland to provide financial services to the Fund. In addition, the Fund utilizes the services of external consulting firms on an as-needed basis.

The WPPSEF staff as of December 31, 2010, was:

- Joel Morrison and Barbara Robuck
 - The Pennsylvania State University (The EMS Energy Institute)
- John Skiavo, James Smith, and Carolyn Berkey
 - Economic Growth Connection of Westmoreland

WPPSEF Board Meetings

The WPPSEF schedules its board meetings at the beginning of each calendar year. Full board meetings are scheduled for every two months. In addition, the WPPSEF Board has developed ad-hoc three working groups (administrative, investment, and grant-making) that meet on an as-needed basis.

In 2010, the WPPSEF Board of Directors met on:

- February 25 (Greensburg, PA)
- April 8 (Greensburg, PA)
- July 9 (State College, PA)
- August 12 (Teleconference Call)
- October 21-22 (Hershey, PA)
- December 9 (Charleroi, PA)

WPP SEF Website

The WPP SEF website is updated throughout the calendar year as new projects are funded and programs developed. The WPP SEF website is at <http://www.wppsef.org>.

Planned 2011 Activities

The WPPSEF will focus on two broad categories in the 2011 timeframe. They are:

Bioenergy. The WPPSEF will continue to seek out projects that use Pennsylvania indigenous biomass resources for the production of heat and combined heat and power applications. The WPPSEF will expand its efforts to seek out investment opportunities in residential, commercial, and light industrial applications for bioenergy.

Energy Efficiency. The WPPSEF will continue to work to transition its PA Home Energy program to the private sector. The WPPSEF will work with AFC First Financial to complete the transition of the PA Home Energy program to the private sector before the end of 2011.