



The 2022 Annual Report of the Sustainable Development Fund

Prepared by:

Steven Chung

Sustainable Development Fund
Reinvestment Fund
1700 Market Street – 19th Floor
Philadelphia, PA 19103

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I. INTRODUCTION

This 2022 Annual Report was prepared by Reinvestment Fund, the manager of the Sustainable Development Fund (“SDF”), to summarize for the Pennsylvania Public Utility Commission SDF’s activities during the calendar year.

II. HIGHLIGHTS AND ACCOMPLISHMENTS

Since its inception, SDF has deployed a total of \$53,878,929 towards its mission of supporting renewable energy, energy efficiency and other advanced clean energy technologies as shown on the following table:

Type of Support	# of Closed Transactions	Total \$
Debt Financing	50	\$28,845,981
Equity Investments	6	\$3,788,770
Grants	<u>377</u>	<u>\$21,244,178</u>
TOTALS:	433	\$53,878,929

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

III. SDF's FINANCIAL APPROVALS IN 2022

A. SDF's Energy Loans and Investments

In calendar 2022, Reinvestment Fund did not close any loans using SDF capital. This was not a situation particular to SDF, but rather a consequence of a lower level of activity in the clean energy sector overall for Reinvestment Fund relative to most years. While project opportunities can be uneven from year to year, Reinvestment Fund has also been managing through a challenging period with respect to staff capacity and turnover, an issue faced by a number of organizations in recent years. However, interest in SDF capital is expected to grow significantly in 2023 and Reinvestment Fund is adequately staffed to respond to that demand. By the end of 2022, Reinvestment Fund was already in the process of underwriting a new loan for the renovation of a supermarket in the Philadelphia area.

B. SDF's Energy Grants

SDF made no new energy grants in 2022. As noted above, capacity constraints and the transitioning of SDF responsibilities to new staff in 2022 prevented Reinvestment Fund from restarting its grant program last year as was anticipated. For 2023, in addition to being better placed in terms of the transition of responsibilities, Reinvestment Fund is also considering its options to increase resources to enhance the management and administration of SDF. The Fund's board members have also expressed their interest in playing a larger role with respect to grant making in 2023.

IV. 2022 FINANCIAL DISBURSEMENTS AND REPAYMENTS

A. SDF's Energy Loans and Investments

SDF made no disbursements on loans in 2022.

In 2022, Reinvestment Fund received a large prepayment (an unscheduled repayment of a loan prior to maturity) from one borrower with multiple SDF loans. A payment of approximately \$1.9 million in principal across 12 loans was received on August 31, 2022, in addition to \$63k of yield maintenance to compensate for the interest earnings that would have been collected if the loans were not prepaid. These funds are recycled to again become available capital for new lending.

In 2022, four SDF loans also reached their scheduled maturity dates and were paid back in full. In total, approximately \$2.7 million was received and is now available again for new lending.

B. SDF's Energy Grants

SDF had no grant commitments in 2022.

V. THE PECO-UNICOM MERGER PROGRAMS

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

“Temporarily Restricted” accounts are now closed and all SDF funds now appear as “Unrestricted but Contractually Limited as to Use.” Please see the SDF annual reports from 2015 and earlier years for information about this \$18.5 million of funding and support for renewable energy.

VI. FINANCIAL REPORT

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

SDF’s financial statements for the twelve-month period ending December 31, 2022, show total financial income of \$285,515 and net financial income of \$490,783.

Operating expenses for 2022 totaled \$65,579, consisting mostly of Reinvestment Fund’s management fee for managing the SDF \$55,818¹ and bank fees of \$9,761.

On December 31, 2022, SDF held \$8,440,436 of funds in SDF’s cash account available for lending.

Outstanding receivables (loans net of allowance for losses) as of December 31, 2022, totaled \$3,361,277, of which \$2,788,047 were current assets and \$573,230 are non-current assets. Total assets on December 31, 2022, were \$11,808,115. SDF’s liabilities at December 31, 2022, totaled \$8,045. As of December 31, 2022, SDF’s total net assets were \$11,800,070, an increase of \$481,021 over 2021’s figure.

On December 31, 2022, included in the cash available for lending, SDF held \$306,298 in Alternative Compliance Payments (ACPs). These funds were received from the West Penn Power Sustainable Energy Fund (WPP) in October of 2021 (from the 2019 disbursement year). After year end, in February 2023, SDF also requested and received from WPP \$680,630 in ACPs (from the 2021 disbursement year), to bring the total amount of ACPs available for lending to \$986,928. These payments represent SDF’s share of ACPs made by electric generation suppliers (EGS) and money recovered by the Public Utility Commission from EGS that went bankrupt.

On December 8, 2022, the Pennsylvania Public Utility Commission approved a settlement agreement that resulted in the transfer of \$6 million to SDF in March 2023. These funds have been

¹ The SDF board approved Reinvestment Fund annually taking a management fee equal to 0.5% of the SDF funds under management. This fee is in lieu of personnel, space, and other internal expenses. Third-party expenses (such as bank fees and the audit) are likewise recoverable.

added to the SDF cash balance that is available for lending. Details of the settlement agreement were issued on March 2, 2023.²

The audited financial statements will be available upon request by contacting Steve Chung, Fund Manager, Sustainable Development Fund, Reinvestment Fund, 1700 Market Street, 19th Floor, Philadelphia, PA 19103. He can be reached by email at steve.chung@reinvestment.com or by telephone at 215.574.5814.

VII. SDF BOARD ORGANIZATIONAL ISSUES

SDF board of directors at year end consisted of the following members:

- Alex Dews (Green Building United)
- Michael Freeman (Emerald Energy Consulting)
- Matthew Madia (Bridgeway Capital)
- Sonny Popowsky (retired PA Consumer Advocate)
- Jacqueline Golden (PECO – newly appointed in 2022)
- Christina Simeone (Kleinman Center for Energy Policy)
- Sidharth Singh (Strategic Finance Group)
- Lori Van der Voort (PWI Engineering)
- Sherif Youssef (Philadelphia Gas Works)
- Akil Marsh (Clearway Energy – newly appointed in 2022)

The board met virtually in December 2022.

At the December meeting, the board approved the 2023 annual budget. The board also approved the 2023 annual program plan by email after the meeting. The board-approved revisions to the SDF bylaws which were resubmitted to the Public Utilities Commission for approval in early 2023.

² [Settlement Agreement in the Pennsylvania Commonwealth Court matter of Pennsylvania Public Utility Commission v. the Delaware Valley Regional Economic Development Fund, No. 491 MD 2018](#)

The 2022 Annual Report of the Sustainable Development Fund Addendum

1. Administrator's Expenses for SDF in 2022

SDF's Administrative Expenses for 2022	
Fund Management Fee (0.5%)	\$55,818
Bank fees	\$9,761
TOTAL:	\$65,579

2. Loans, Equity Investments and Grants Approved by SDF in 2022

SDF Approvals in 2022		
Type	Number	Dollar Value
Loans	0	\$0
Equity investments	0	\$ 0
Grants	0	\$ 0
TOTALS:	0	\$0

3. Loans, Equity Investments and Grants Closed/Executed by SDF in 2022

SDF Loan Closings and Grants Executed in 2022		
Type	Number	Dollar Value
Loans	0	\$ 0
Equity investments	0	\$ 0
Grants	0	\$ 0
TOTALS:	0	\$ 0

4. Loans, Equity Investments and Grants Disbursed by SDF in 2022

SDF Dollars Disbursed in 2022		
Type	Number	Dollar Value
Loans	0	0
Equity investments	-	\$ 0
Grants	-	\$ 0
TOTALS:	0	\$ 0

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

\$ 11,800,070
