



The 2023 Annual Report of the Sustainable Development Fund

Prepared by:

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The 2023 Annual Report of the Sustainable Development Fund

I. INTRODUCTION

This 2023 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 \$55,378,929 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	51	\$30,345,981
Equity Investments	6	\$3,788,770
Grants	<u>377</u>	<u>\$21,244,178</u>
TOTALS:	433	\$55,378,929

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 2023

A. SDF’s Energy Loans and Investments

In calendar 2023, Reinvestment Fund closed on one loan using SDF capital. The \$1.5 million loan funded with SDF capital supported the redevelopment of a vacant building to house a cooperatively-owned grocery store in the Germantown neighborhood of Philadelphia. The energy efficiency upgrades supported by the SDF funds include a 7% reduction in Energy Use Intensity for the roof, exterior walls, exterior windows, HVAC, ventilation, and lighting.

B. SDF’s Energy Grants

SDF made no new energy grants in 2023 or in the several preceding years. However, in late 2023 the program was relaunched and began accepting applications. As of this report date, applications have been received and are under review. Final decisions and announcements are expected later in Spring 2024.

IV. 2023 FINANCIAL DISBURSEMENTS AND REPAYMENTS

A. SDF’s Energy Loans and Investments

See Section III above. The above loan was allocated to/disbursed from SDF in full at closing, so the above reflects 100% of SDF’s 2023 disbursements for lending.

SDF Energy Loans Disbursed in 2023			
Borrower	Amount Disbursed	Loan Closing Date	Comments
Weavers Way Cooperative Association	\$1,470,875	5/25/23	
TOTAL:	\$1,470,875		

One SDF loan – to Urban Philadelphia Liberty Building, LLC for energy improvements to the Aloft Hotel project – reached its scheduled maturity date in 2023, but the borrower was not able to secure a refinancing commitment due to the lingering effects of the COVID-19 pandemic. The borrower is working with project lenders to extend the maturity date and forbear payments to provide time to close on a sale. In early 2024, the borrower listed the hotel collateral for sale with a goal to close by the end of September 2024 and repay the outstanding \$2.64 million balance, making these funds available again as loan capital.

B. SDF’s Energy Grants

SDF had no grant commitments in 2023.

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, 2023, show total financial income of \$138,640 and net financial income of \$425,093.

Operating expenses for 2023 totaled \$58,827, consisting of Reinvestment Fund’s management fee for managing the SDF¹.

On December 31, 2023, SDF held \$14,024,878 of funds in SDF’s cash account available for lending.

Outstanding receivables (loans net of allowance for losses) as of December 31, 2023, totaled \$4,658,081, of which \$2,659,397 were current assets and \$1,998,684 are non-current assets. Total assets on December 31, 2023 were \$18,689,212. SDF’s liabilities on December 31, 2023, totaled \$517. As of December 31, 2023, SDF’s total net assets were \$18,688,695, an increase of \$6,888,625 over 2022’s figure. The substantial YOY increase in Net Assets is due to the \$6 million settlement SDF received in March 2023.²

On December 31, 2023, included in cash available for lending, SDF held \$986,298 in Alternative Compliance Payments (ACPs). These funds were received in two tranches from West Penn Power Sustainable Energy Fund (WPP). The first was received in October of 2021 (from the 2019 disbursement year) in the amount of \$306,298. The second was received in February 2023 (from the

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.

² As noted in the 2022 SDF Annual Report, 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 added to the SDF cash balance that is available for lending. Details of the settlement agreement were issued on March 2, 2023: [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](#)

2021 disbursement year) in the amount of \$680,630. No ACPs were received in the 2022 or 2023 disbursement years.

The audited financial statements will be available upon request by contacting Ben Anderson, Portfolio Manager, Reinvestment Fund, 1700 Market Street, 19th Floor, Philadelphia, PA 19103 by email at ben.anderson@reinvestment.com or by telephone at 215.574.5850.

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)
- 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)

The board met virtually twice during 2023, in July 2023 and December 2023.

At the December meeting, the board reviewed the 2024 budget and annual program plan. The board approved both by email after the meeting. In addition, the board discussed revisions to the SDF bylaws. The by-law revisions were approved by the board via email in February 2024. RF filed the amended bylaws with PUC on February 29, 2024.

The 2023 Annual Report of the Sustainable Development Fund Addendum

1. Administrator's Expenses for SDF in 2023

SDF's Administrative Expenses for 2023	
Fund Management Fee (0.5%)	\$55,827
Bank fees	\$0
TOTAL:	\$65,579

2. Loans, Equity Investments and Grants Approved by SDF in 2023

SDF Approvals in 2023		
Type	Number	Dollar Value
Loans	1	\$1,500,000
Equity investments	0	\$0
Grants	0	\$0
TOTALS:	1	\$1,500,000

3. Loans, Equity Investments and Grants Closed/Executed by SDF in 2023

SDF Loan Closings and Grants Executed in 2023		
Type	Number	Dollar Value
Loans	1	\$1,500,000
Equity investments	0	\$0
Grants	0	\$0
TOTALS:	1	\$1,500,000

4. Loans, Equity Investments and Grants Disbursed by SDF in 2023

SDF Dollars Disbursed in 2023		
Type	Number	Dollar Value
Loans	1	\$1,470,875
Equity investments	0	\$0
Grants	0	\$0
TOTALS:	1	\$1,470,875

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

\$ 18,688,694
