

**Annual Plan
2004-2005
Sustainable Energy Fund of Central Eastern Pennsylvania**

Key Assumption: The following Annual Plan for 2004-2005 is based on the assumption that SEF will continue to receive PPL Electric Utility ratepayer funding support (at the current level) until 2009.

Mission

The Mission of the Sustainable Energy Fund continues unchanged.

Our mission is to promote, research and invest in clean and renewable energy technologies, energy conservation, energy efficiency, and sustainable energy enterprises that provide opportunities and benefits for PPL ratepayers.

Business Model

The Sustainable Energy Fund will continue to operate in an entrepreneurial manner.

Financial Assistance

To accomplish its mission the Sustainable Energy Fund will continue to provide financial assistance to companies and organizations:

That generate electricity using renewable energy sources. (Renewable energy sources include energy produced from solar, wind, low-impact hydro, sustainable biomass and geothermal sources.)

That manufacture, distribute and install renewable energy, advanced clean energy and energy conserving products and technologies. (Advance clean energy technologies include fuel cell and advanced battery storage systems.)

That are end users of renewable energy, advanced clean energy and energy conserving products and technologies.

Financial assistance decisions will favor projects that meet the fund's mission, limit financial risk while maximizing reward, leverage other funding sources and produce overall societal benefits. Societal benefits include reduction in pollution, creation or retention of jobs, economic development and education of individuals about renewable and clean energy. The fund is interested in those projects that would not have succeeded "but for" the involvement of the fund. The fund will not grant financial assistance for research purposes.

The fund will continue to offer guidance through technical assistance and referrals to other funding sources even though financial assistance by the fund may not be available.

The fund will attempt to expand programs for residential customers through developing partnerships that can contribute financial, as well as technical and managerial strength. Those partnerships will include for profit and non-profit organizations that are in residential housing development and residential energy conservation products.

Commercial Loans and Investment Activities

The fund will commit up to \$4,000,000 to commercial loans and equity financing and investment (Of that \$4,000,000 figure, \$1,000,000 will be drawn against built-up reserves). The fund will continue to commit \$1,500,000 to Bear Creek Wind development (as a carryover from the 2003-2004 budget).

Loan terms will be flexible and will be determined on a case-by-case basis. The fund will seek to offer rates and terms that are better than the terms of comparable bank and financial organizations.

Grants

A limited number of grants will be available for technical development of loan and financing proposals, education projects or programs that promote the fund's mission.

Grants will not exceed 10% of the amount targeted for commercial loans and investment activities (not including the \$1,000,000 drawn against financial reserves) or \$300,000 for the plan year. Grants up to the amount of \$10,000 are preferred. Grant requests should not exceed \$25,000.

Grant requests will be favored where the grantee is contributing funding or participating in the work requirement of the grant or where the grant is part of or stimulates a future loan or loans. Grants require grantee reporting of outcomes, and those outcomes will be subject to review and testing. Holdbacks will be used to guarantee delivery of outcomes. The fund will establish an RFP process for grants and expects the process for grant selection to be highly competitive. The fund will select grant applications using metrics that demonstrate societal benefits, mission fit and the leverage of other funding sources.

Leadership Role

The fund will continue to be a leader by focusing on providing financial assistance and reporting job completion and successes. The fund will continue to serve as a source of technical assistance and will report on key projects that will be valuable to other Pennsylvania funds. The fund will continue to invest in outreach to communicate activities and offerings to PPL ratepayers.