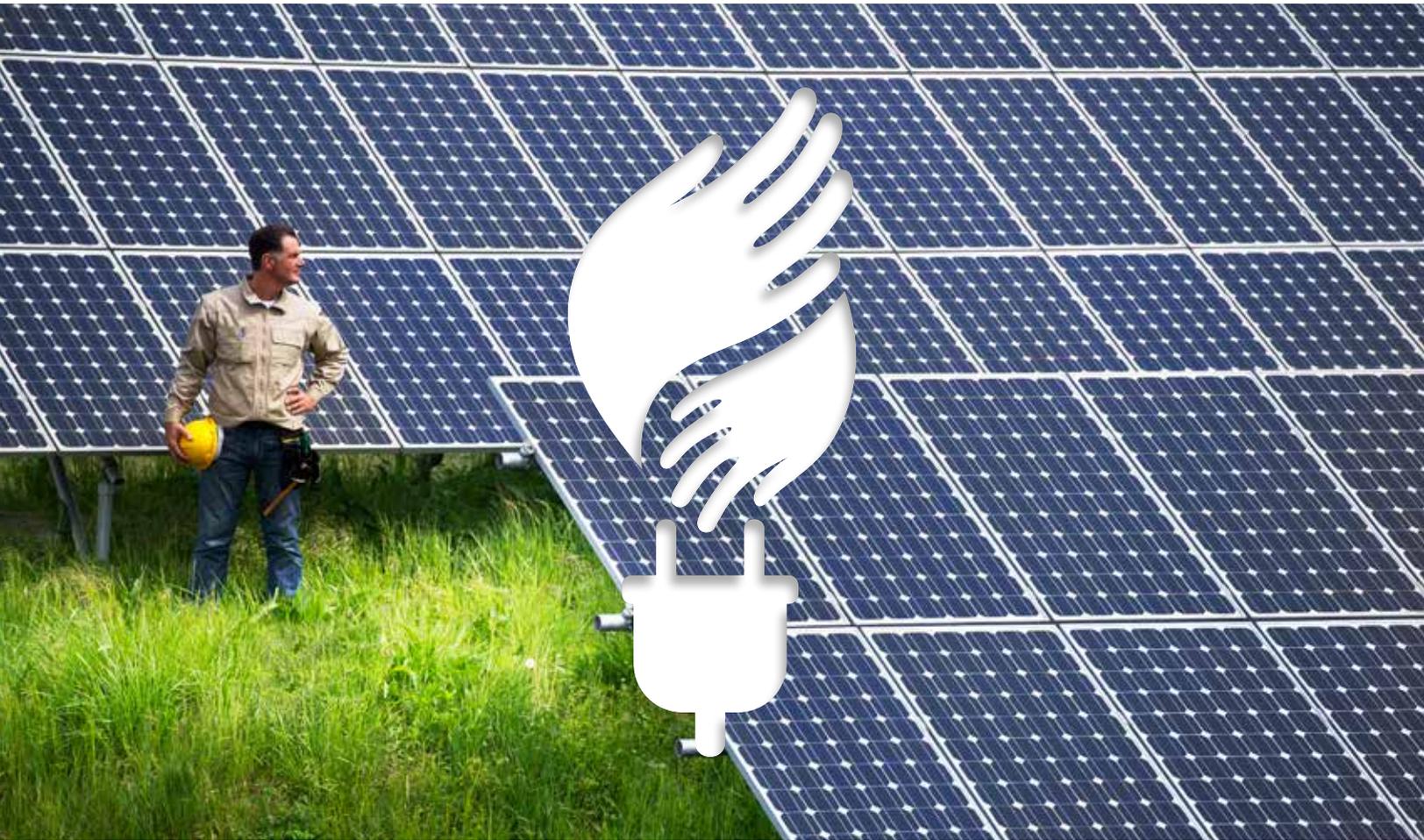


Sustainable Energy Fund



2016 Annual Report

Sustainable Energy



Harvesting, converting, distributing and utilizing energy in a manner that allows all to meet their energy needs today without compromising the ability of their children and grandchildren to meet their needs.

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Sustainable Energy Fund

Mission

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 Electric ratepayers.

Vision

To lead Pennsylvania in a direction so that today's needs for environmentally sound, safe, affordable, abundant and reliable energy do not affect the ability of future generations to meet their needs.



**{ We have
{ a mission.**

**A year
in review:**

Dear Stakeholders,

The following annual report will share with you the accomplishments of the Sustainable Energy Fund, as well as the challenges faced by the organization and the sustainable energy industry, during the 2015/2016 fiscal year. The challenges brought on by low energy prices are significant; the accomplishments are the result of the hard work and dedication of our Board and staff, as well as the support of our partners. Throughout the last year, Sustainable Energy Fund has worked conceptually on a net zero building, launched new nonprofit programs to counter the challenges nonprofits face in becoming more energy efficient, and partnered with the West Penn Power Sustainable Energy Fund to create the Energy Sprout competition. In addition to launching these new programs, the Fund also opened an office in Harrisburg to better serve the western reaches of our market.

Sustainable Energy Fund worked with Re:Vision Architecture to complete the conceptual design for a net zero building. The Fund then analyzed the economic feasibility of constructing that building in the Lehigh Valley. The Fund has determined that net zero is not only technically feasible for a small office building, but economically feasible as well.

The Fund identified nonprofits as an underserved market for energy efficiency retrofits and created the Nonprofit Energy Savings Agreement as a way to fund projects for nonprofits. This program required the addition of two new staff members and partnership with energy engineering firms. Launching these programs has consumed significant time and resources, and the Fund is just now starting to see projects committed.

In partnership with the West Penn Power Sustainable Energy Fund, Energy Sprout was born. Energy Sprout was a competition created in order to foster the development and deployment of new innovative products and business models that expand the use of sustainable energy in Pennsylvania. The top three projects in both the business and community divisions each received a cash grant, with the winner of the business contest receiving a \$100,000 grant.

I encourage all stakeholders to take action this year to move sustainable energy forward, whether it be installing solar panels or LED lights or simply turning the thermostat down. Irrespective of the challenges that lie ahead for renewable energy, energy efficiency and energy conservation, we must persevere for the sake of our children and grandchildren.

John Costlow, President/CEO



Education Report



Sustainable Energy Fund’s educational programs provide energy users with the knowledge needed to overcome barriers to a sustainable energy future. These educational programs include sustainable energy workshops, the annual Energypath event, middle and high school sustainable energy science fairs, speakers bureau, and exhibitions.

The sustainable energy education workshops provide attendees an opportunity to develop a deeper, more comprehensive understanding of energy topics through hands-on and lecture based training. Site visits included Lutron, a residential Passive House, Victory Brewing, and Lancaster’s Waste-to-Energy facility.

The speakers bureau and exhibitions allows the Sustainable Energy Fund to bring educational content “on the road” to various community organizations such as Girl Scouts and the Pennsylvania Farm Show.

The annual Energypath event increases the knowledge of and passion for sustainable energy in the leaders of today and tomorrow, by offering in-depth, hands-on training with sustainable energy technologies. Energypath offers a platform for students and emerging professionals to connect with leaders in the field to grow their understanding of sustainable energy. The Energypath science fair provides middle and high school students with a platform to showcase their sustainable energy research. The Energypath 2015 first place winners were:

High School

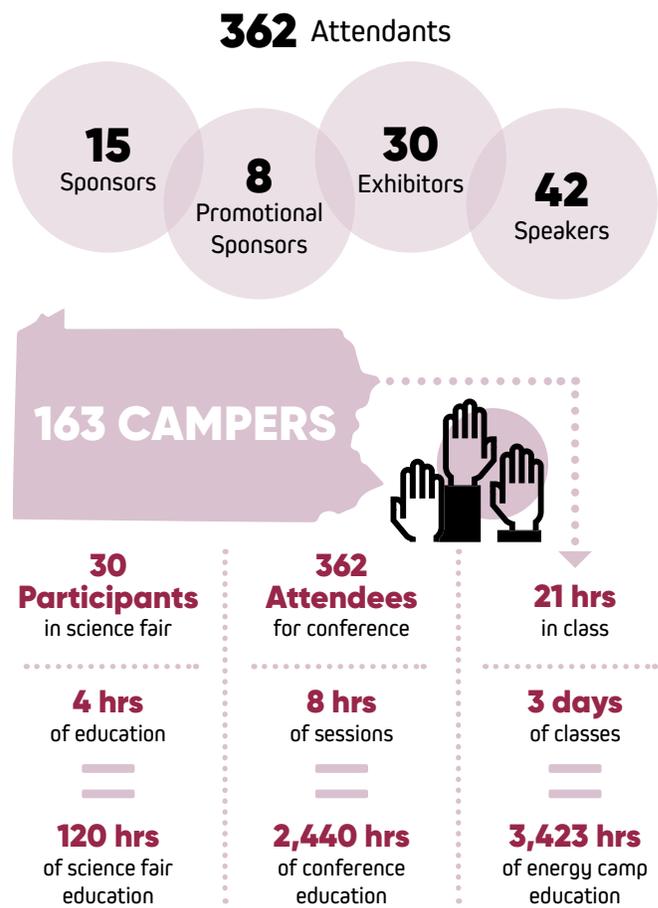
Kerri McBride, “Investigating Metal-Oxide Laminates to Solve Wind Turbine Radar Interference: A National Security and Meteorologists’ Problem.”

Middle School

Prithvi Parthasarathy, “Production of Solid Biofuel from Banana Peels.”

Energypath 2015 hosted six hands-on energy camps. Conference educational tracks encompassed several topics: Net Zero, Passive House, Renewable Technology, Emerging Technology, and Introduction to Renewable Energy.

ENERGYPATH 2015 RESULTS



Total Education Hours: 5,983

Kelly Sanders, Program Leader, Education



Finance Report



Sustainable Energy Fund provides financing from \$5,000 to \$1 million for projects that reduce the consumption of energy from nonsustainable resources or produce energy from renewable resources. These projects include lighting system upgrades, energy control systems, high efficiency motors, HVAC and energy generation from renewable resources such as biomass, micro-hydro, wind and solar photovoltaics. SEF strives to structure loan terms so that projects are cash flow positive. Unlike a traditional commercial lender, SEF will finance 100% of the project, provide an interest-only period during project construction, accept a subordinate lien position, adjust the loan term so that utility savings exceed loan payments when possible, and will not impose a prepayment penalty.

Funding Local Energy Projects

In our quest to help Pennsylvanians overcome financial barriers to a sustainable energy future, the organization continues funding local energy projects. We accomplished this with referrals from our energy service provider network utilizing direct lending, energy savings and power purchase agreements. The combined effect over the fiscal year was new commitments in excess of \$2 million. The new energy savings agreement focuses on assisting nonprofits to make their facilities more energy efficient. We look forward to greater market penetration next year from our efforts.

Energy Sprout Competitions

The final round of the Energy Sprout competition began in January 2016 and ended at EnergyPath in July 2016. Energy Sprout, which was a collaboration between Sustainable Energy Fund and West Penn Power Sustainable Energy Fund, was a statewide sustainable energy competition focused on fostering the development and deployment of both innovative projects

and business models that will expand the use of sustainable energy in Pennsylvania and community-scale sustainable energy programs and projects in Pennsylvania. This competition was open to Pennsylvania-based businesses, Pennsylvania-registered nonprofit organizations, local governments in Pennsylvania and Pennsylvania residents. The top business recipient received a grant for \$100,000.

The community grant competition recipients were:

- 1 Energy Coordinating Agency
- 2 Serenity Soular
- 3 St. Francis University, Institute of Energy

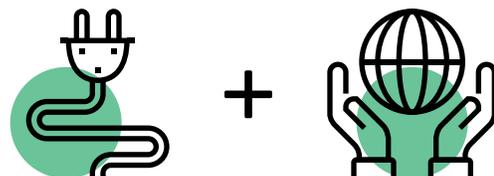
The business & individual grant competition recipients were:

- 1 CEWA Technologies
- 2 EthosGen
- 3 Renewable Homes

WE SAVED

871,249 kWh

456 metric tons
of greenhouse gases



George Brown, Program
Leader, Finance





Committed Projects



2015 - 2016

| | |
|---|-------------|
| Colonial Volkswagen, Inc. | \$36,500 |
| Indian Springs Sawmill | \$80,100 |
| Stillmeadow Church of the Nazarene | \$9,000 |
| J.L. Freed & Sons, Inc. | \$225,000 |
| Fegley Real Estate, LLC | \$55,000 |
| Community Energy, Inc. | \$1,000,000 |
| Jewish Family Service of the Lehigh Valley | \$39,262 |
| Londonderry School | \$286,805 |
| Pennsylvania Leadership Charter School | \$134,000 |
| Community Bike Works | \$26,250 |
| Allentown Central Catholic High School | \$265,000 |

\$2,156,917

Financials



| ASSETS | 2016 |
|-------------------------------|---------------------|
| Cash and Cash Equivalents | \$190,233 |
| Accounts Receivable | \$153,656 |
| Inventory | \$1,758 |
| Investments | \$15,449,261 |
| Program Related Investments | \$4,667,586 |
| Equipment, Net | \$214,845 |
| Prepaid Expenses and Deposits | \$24,154 |
| TOTAL ASSETS | \$20,701,493 |

| LIABILITIES | 2016 |
|----------------------------------|------------------|
| Accounts Payable | \$12,268 |
| Accrued Expense/Deferred Revenue | \$68,623 |
| Accrued Salary/Benefits | \$38,140 |
| TOTAL LIABILITIES | \$119,031 |

| NET ASSETS | 2016 |
|---|---------------------|
| Unrestricted Net Assets | \$20,582,462 |
| TOTAL LIABILITIES & NET ASSETS | \$20,776,275 |



**A small
team with a
big impact:**

Board of Directors



Kenneth L. Mickens
Chair



Robert S. Thomson
Vice Chair



Daniel W. Griffiths
Secretary/Treasurer



Jean C. Black
Director



William DeFalco
Director



Linda R. Evers
Director



Bernard J. Zavatone
Director

Staff



George Brown
Program Leader, Finance



John Costlow
President



Sally Kratz
Accountant



Kelly Sanders
Program Leader, Education



Kristen Sehn
Administrative Assistant



Scott DeStefon
PRI Analyst



Nicholas Kolesar
Technical Specialist



Nicholas Rudofski
Business Development Specialist



Nichole Smith
Marketing Manager



Contact Us:
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Energypath 2017



Energypath is the region's largest sustainable energy event and an ideal place to exhibit to an audience of diverse attendees, including students, professors, industry professionals, policy-makers and energy users who are interested in renewable energy and energy efficiency. The goal of Energypath is to increase the knowledge of and passion for sustainable energy in the leaders of today and tomorrow. Visit energypath.org for more information.

**Get out
there.**

Thank You.

Supporters

