

Pennsylvania Sustainable Energy Board

2005 Annual Report

December 2006

Table of Contents

Foreword.....3

Metropolitan Edison Company Sustainable Energy Fund/Pennsylvania
Electric Company Sustainable Energy Fund.....8

Sustainable Development Fund (PECO).....12

Sustainable Energy Fund of Central Eastern Pennsylvania16

West Penn Power Sustainable Energy Fund.....19

FOREWORD

This Pennsylvania Sustainable Energy Board (PASEB) report reviewed the activities of the regional sustainable energy funds (Regional Funds) during 2005. Collectively, the Regional Funds loaned more than \$13 million and provided over \$5 million in grants during this period. The loan amount and level of activity mirrors 2004. Since its inception six years ago, the Regional Funds have taken the lead in the development and investment in clean energy technologies such as wind, anaerobic digesters, fuel cells and solar.

The Regional Funds are primarily public finance entities, which make loans, investments and grants for the benefit of ratepayers and the Commonwealth. For example, the Keystone Home Energy Loan Program (HELP) has been in development since late 2003 by the West Penn Sustainable Energy Fund (WPPSEF). During 2005, the program was launched for the West Penn service territory with a commitment of \$1,483,500. In December 2005, the Pennsylvania State Treasurer announced the investment of \$20,000,000 in base funding to expand Keystone HELP throughout Pennsylvania. All of the Regional Funds have provided support and other administrative tasks for Keystone HELP in their regions. There has also been a great deal of development of high standards in new building technology by the four funds.

Another major collaborative investment that was completed by the four Regional Sustainable Funds in 2005 was the Bear Creek wind project. The TRF Sustainable Development Fund (PECO), as agent for the four Regional Funds, syndicated a \$5.75 million loan among them for the 24 MW Bear Creek wind project developed by Community Energy Inc. (CEI) in Luzerne County. This wind farm is the first Pennsylvania project to use Gamesa 2 MW wind turbines and was under final construction as 2005 ended (the project began commercial operation in February 2006). In 2005, CEI restructured this project to a 24 MW wind farm using Gamesa 2 MW wind turbines. By the end of 2006, the Allegheny Ridge wind project, an 80 MW wind farm, will be in commercial operation. In 2007, the Casselman wind project and the Locust wind project will complete construction. These three projects will increase the Pennsylvania wind capacity to a total of 293.4 MWs, generating 776,209 MWHs per year. This is enough energy to power 97,026 homes. The total investment for these Pennsylvania wind farms is estimated to be approximately \$385 million.

More renewable energy has been produced and more energy efficient technology continues to be installed and used every day in Pennsylvania. We are witnessing gains in energy share by these products and activities at an increasing rate. We anticipate more activity in investments as the Regional Funds continue to mature and are aided by the Alternative Energy Portfolio Standards Act (AEPS). The Regional Fund administrators and the boards themselves should be commended for their continued commitment and perseverance to the dedication of the success of these funds and for the creative way these funds invest in new ventures.

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 Allegheny Power/West Penn Power Company (WPP). These settlements provided new opportunities for renewable and sustainable energy production services and enterprises.

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 Sustainable Development Fund (SDF, in PECO'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 the merger settlement process, the Met-Ed and Penelec funds will receive an additional \$5 million (\$2.5 million each) in funding. During PPL's most recent rate case, the Commission agreed to continue funding the SEF through Dec. 31, 2006. The funding level to be included within the distribution rates for 2005 and 2006 will be 0.01 and 0.005 cents per kWh, respectively.

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.

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.

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

- SDF - Dec. 2, 1999;
- Met-Ed and Penelec SEF - Jan. 27, 2000;
- SEF of Central Eastern PA - June 2, 2000; and
- WPP SEF - June 2, 2000.

Regional Fund Administrators

- The Reinvestment Fund - Sustainable Development Fund
- Berks County Community Foundation (Met-Ed).
- Community Foundation of the Alleghenies (Penelec).
 - Met-Ed and Penelec follow the same funding approach and guidelines.
- The Sustainable Energy Fund of Central Eastern Pennsylvania (PPL).
- The Energy Institute of Penn State University, in partnership with Energetics Inc. (WPP).

The Regional Fund Administrators charge an annual fee for their services. These services and fees vary by Regional Fund and contract. A breakdown of the various charges is listed below:

- Berks County Community Foundation
Management fees represent 1.5 percent of assessed value of Fund.
Fees for 2005 were \$119,992.
- Community Foundation of the Alleghenies
Management fees represent 1.5 percent of assessed value of Fund.
Fees for 2005 were \$139,297.
- The Sustainable Energy Fund of Central Eastern Pennsylvania
Flat Management fee.
Fees for 2005 were \$1,049,450.
- The Sustainable Development Fund
Administrative costs included in each annual budget, approved by Board.
Fees for 2005 were \$744,228.
- The Energy Institute of Penn State University and Energetics Inc.
Management fee by contract.
Fees for 2005 were \$190,399.

The Regional Funds' boards meet on a regular basis with Commission staff attending as liaison representatives. The boards are required to submit annual and semi-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 Aug. 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, 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 its annual meeting in Harrisburg on Sept. 15, 2005. The purpose of the meeting was to address the PASEB's obligation to develop a plan to comply with the Commission's mandate and develop the board's bylaws. Additionally, PASEB has addressed issues stemming from AEPS.

In addition to the PASEB meetings, the Regional Funds met as a group on March 4 and July 14, 2005, in Carlisle, and Nov. 1, 2005, in Allentown. These meetings are an essential means of discussing projects of mutual interest and better coordinating future activities.

2005 Approvals of Regional Funds

The table on the following page summarizes the Regional Funds' approvals of loans and grants for 2005. As shown, the Regional Funds approved slightly less than \$18.5 million in support of renewable energy activities. Approximately \$13.3 million was distributed in the form of loans and \$5.1 million was provided in grants.

2005 Approvals

<u>FUND</u>	<u>LOANS</u>	<u>GRANTS</u>	<u>TOTAL</u>
Met-Ed	\$1,089,600	\$127,928	\$1,217,528
Penelec	\$1,180,400	\$138,588	\$1,318,988
PECO	\$3,202,500	\$4,123,924	\$7,326,424
PPL	\$4,847,842	\$182,632	\$5,030,474
West Penn	\$3,003,500	\$575,996	\$3,579,496
Total	\$13,323,842	\$5,149,068	\$18,472,910

End of Year Regional Fund Balances

The following table presents the Regional Fund balances as of the end of 2005. These balances were calculated based upon the Regional Fund's 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.

<u>FUND</u>	<u>BALANCE</u>
Met-Ed	\$468,000
Penelec	\$391,539
PECO	\$5,400,000
PPL	\$5,730,000
West Penn	\$7,400,000

Metropolitan Edison Company/Pennsylvania Electric Company Sustainable Energy Fund

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

Introduction and Highlights

From Jan. 1, 2005, to Dec. 31, 2005, the Metropolitan Edison Company/Pennsylvania Electric Company Sustainable Energy Fund (Met-Ed/Penelec SEF) approved financing totaling \$2,296,516. The Met-Ed SEF's marketing/networking activities included the fund's Web site, through the Berks County Community Foundation's Web site (www.bccf.org).

The Penelec SEF Web site can be accessed through the Community Foundation for the Alleghenies Web site (www.cfalleghenies.org).

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

During 2005, Met-Ed/Penelec staff participated in numerous conferences and meetings as speakers and active participants to raise awareness of Met-Ed and Penelec SEF activities, including:

- A teleconference organized by the American Bar Association's Renewable Resources Committee;
- Renew PA;
- Sponsorship/participation in PennFuture events;
- The programs and activities of the Clean Energy States Alliance (CESA);
- The Public Fuel Cell Alliance, a group of US and Canadian state and federal entities responsible for fuel-cell deployment that seeks to accelerate widespread adoption and commercialization of the technology through greater communication and cooperation among funding agencies;
- The regional advisory board of Ben Franklin Technology Partners;
- Meetings with other Regional Funds in Pennsylvania. These meetings are an essential means of discussing projects of mutual interest and better coordinating future activities;
- The annual meeting of the PASEB;
- A Pennsylvania Treasury Department meeting regarding the creation of the Keystone Green Investment Fund; and
- Participation in the Pittsburgh Green Building Alliance (GBA) regionalization efforts, including the formation of the Laurel Highlands green Building Affiliate -- Pittsburgh GBA's first affiliate organization.

Financial Approvals

Grants

Project	Amount	Comments
St. Francis University	\$143,516	To develop a program to promote community-based, farm-based and business-based wind projects.
AFC First Financial Corporation	\$60,000	To provide a consumer finance program to make unsecured loans at below-market interest rates to consumers for the purchase and installation for Energy Star and other energy-efficient home improvements in the Met-Ed/Penelec territories.
J.S. Wilson Middle School	\$25,000	LEED "EB" Certification in the Millcreek School District, Erie County.
CTC	\$25,000	Green Building Project, Johnstown, will educate the public about green buildings and the LEED process and create the Laurel Highlands Green Building Alliance.
Wayne County Conservation District	\$10,000	For a small wind education installation.
Citizen's for Pennsylvania's Future	\$2,000	For the "Getting to 10 Percent Conference, broadcast on PCN across Pennsylvania.
Mid-Atlantic Renewable Energy Associates	\$1,000	Sustainable/Renewal Energy Festival held in Kutztown, PA.

Loans

Project	Amount	Comments
Community Energy Inc	\$1,000,000	For the 24 MW Bear Creek wind project, the first in Pennsylvania to use the Gamesa 2 MW wind turbines.
Environmental Digestion LLC	\$600,000	For the construction of six on-farm anaerobic digesters.
Meadville Community Energy Project	\$120,000	For additional support of residential energy-efficiency loan programs.
Lucas Lane Inc	\$50,000	To generate electricity from used automobile oil filters.

Equity Investments

Project	Amount	Comments
Franklin Fuel Cells	\$500,000	A private, early stage developer of a solid oxide fuel cell that does not need a reformer to use various fuel sources.

Since inception, Met-Ed/Penelec SEF has approved 68 grants totaling \$1,403,327.32; 31 loans totaling \$14,210,552; and two equity investments totaling \$1,500,000. The fund denied 29 grant requests, 16 loans requests and three investment opportunities. Denials occurred because the proposed projects did not meet the Regional Fund's mission, or had technological, financing and/or market difficulties.

To review the annual audit of the Berks County Community Foundation and/or the Community Foundation for the Alleghenies, please visit the respective Web sites. If you would like a written copy of the audit contact Richard Mappin at Berks County Community Foundation, 610-685-2223 or Michael Kane at Community Foundation for the Alleghenies, 814-536-7741.

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. During the course of the year, two members resigned from the Advisory Committee. Public notice regarding the seeking of nominations to the Advisory Committee was given by a variety of means, including:

- A written notice to the Commission and the joint petitioners – Sept. 20, 2005; and
- A notice posted on the Berks County Community Foundation and the Community Foundation for the Alleghenies Web sites – Sept. 30, 2005.

The following individuals responded to the request:

- Brian Hill, Interim President of the Pennsylvania Environmental Council; and
- Derek James, University of Pennsylvania, Project Manager, Environmental Management Assistance Program.

The board approved the two individuals on Dec. 23, 2005, and sent letters to the Commission for final approval. The Advisory Committee consists of:

- Charles Mowbray, FirstEnergy (Vice Chairman);
- Brian Hill, Interim President of the Pennsylvania Environmental Council (Pending approval of Commission);
- Sandra Mackel, Citizen's Bank, Altoona;

- Sandra K. Dill, Indiana County Community Action Program Inc;
- Peter J. Tarapchak, Staff Specialist Energy & Electrical Engineering Carpenter Technology Corporation, Reading;
- Derek James, University of Pennsylvania, Project Manager, Environmental Management Assistance Program (Pending approval of Commission); and
- Brian Vayda, Manager American PowerNet.

During 2005, board meetings were held on: Feb. 28; March 1; April 7; May 26; Sept. 5, 7, and 23; Oct. 7; Nov. 4; Nov. 18; and Dec. 13.

Met-Ed/Penelec staff and board members continued to play an active role in PASEB activities, including meetings and conference calls. Staff were involved in drafting best practices on the code of conduct and reconsideration/appeal of denial process. Staff also assisted in developing the project matrix.

Conclusion

The Year 2005 proved to be a very busy period for the Met-Ed/Penelec SEF. The SEF increased its visibility, and made new investments that resulted in energy savings and new clean energy sources.

Sustainable Development Fund (PECO service territory)

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

Introduction and Highlights

The TRF Sustainable Development Fund (SDF) offers innovative financing in the areas of renewable and clean energy. Created by the Commission in its Final Order in the PECO Energy electric utility restructuring proceeding, the SDF is helping to make a sustainable energy future for Southeastern Pennsylvania.

The SDF serves customers from PECO Energy's service territory and is dedicated to promoting:

- Renewable energy and advanced clean energy technologies among residential, commercial, institutional and industrial customers;
- Energy conservation and energy efficiency among residential, commercial, institutional and industrial customers; and
- Sustainable energy businesses that benefit customers in its service area.

The SDF has been able to promote energy conservation and efficiency measures that have created long-term affordability for its customers. Its work with business start-ups and expansions has helped create permanent jobs in the region, while its financing of renewable energy and energy conservation technologies has reduced the negative health and environmental impacts caused by conventional fuel sources. These and other effective sustainable energy practices contribute to building Southeastern Pennsylvania's competitive advantage.

During 2005, the SDF approved loans, investments, grants and incentives totaling \$7,326,424. Company and project financing leveraged an additional \$210,687,000 from private and public capital sources.²

In 2005, the SDF's portfolio of projects generated 276,021 MWh of wind power and 356 MWh of solar photovoltaic power, and conserved 4,487 MWh of electricity. The SDF's cumulative figures since inception are 757,278 MWh of wind power and 616 MWh of solar photovoltaic power generated, and 8,297 MWh of electricity conserved.

Also, SDF continued to expand its marketing efforts by both sponsoring and speaking at a number of successful conferences, and meeting with companies, non-profit organizations, major institutions and public entities.

² This figure includes \$363,000 in portfolio company investments made through SDF's \$2 million investment in the Pennsylvania Advanced Industrial Technology Fund (PA-AIT), a limited partnership that SDF created with Blue Hill Partners.

Additionally, the SDF staff continued to market to Energy Service Companies (ESCOs) that are active in the PECO Energy service territory. These marketing activities included joint calls and shared prospecting of area manufacturers and large institutions.

In addition, the SDF convened an ESCO Roundtable meeting on July 19, 2005, to discuss the key issues facing ESCOs and the energy service industry. This meeting included many of the region’s largest ESCOs, whose participants met to engage in a discussion that recognized shared barriers to energy project implementation, as well as identifying recommendations needed to overcome those barriers.

In 2005, the SDF continued to play an active role in the PASEB. SDF staff participated in the Sept. 15, 2005, PASEB annual meeting. SDF staff prepared comments on the proposed Commission policies regarding the approval and distribution of future AEPS alternative compliance payments and drafted suggested PASEB bylaws changes.

The Reinvestment Fund (TRF) intervened as a party in the PUC proceeding investigating the proposed merger of Exelon and PSEG.³ The TRF sponsored the direct and rebuttal testimony of Lewis Milford, President of the Clean Energy States Alliance. As a result of the settlement agreement that was reached by a majority of the parties and approved by the PUC, the TRF was slated to receive \$7.2 million to continue its clean energy work. However, that merger was subsequently terminated in September 2006.

Financial Approvals

Core Grants

Project	Amount	Comments
AFC First Financial	\$50,000	For contractor recruitment and marketing support for the Keystone Home Energy Loan Program.
Fairmount Park Conservancy	\$25,000	To help with the cost of replacing the incandescent roof lighting system at Boathouse Row with energy-efficiency light emitting diode (LED) lights.
Energy Coordinating Agency of Philadelphia Inc.	\$22,600	For the design and publication of a brochure about zero-energy homes (i.e. high levels of efficiency combined with solar PV and solar water heating).

³ No SDF funds were used in this intervention; rather, it entailed only TRF funding from non-SDF sources.

Project	Amount	Comments
Bat & Wind Energy Cooperative	\$15,000	To follow-up on prior research by developing and testing ultrasonic acoustic devices to deter bats from wind turbines.
Mid Atlantic Renewable Energy Coalition, managed by Citizen's for Pennsylvania's Future	\$10,000	To help fund the PA effort in a national education and public relations campaign of the American Wind Energy Association to address wind siting issues.
Philadelphia University's Engineering and Design Institute	\$10,000	For local design professionals to attend energy-modeling training in Ecotect, DOE2 and daylight modeling.
Citizen's for Pennsylvania's Future (PennFuture)	\$7,500	To support PennFuture's annual clean energy conference (Getting to 10 Percent) and their green power awards luncheon.
Temple University's Urban Center for Sustainability	\$3,000	To help sponsor a student project in the Dominican Republic that involves the installation of two home-made wind turbines as part of a sustainable agriculture project.

Merger Program Grants

SDF received funding in the PECO/Unicom merger settlement to develop and implement grant programs to support new wind development in Pennsylvania, to support deployment of solar photovoltaic systems and to provide public education about renewable energy.

Project	Amount	Comments
Casselman Windpower	\$1,000,000	Wind energy production incentive grant for a new 34.5 MW wind farm.
Allegheny Ridge	\$750,000	Wind energy production incentive grant for a new 80.0 MW wind farm.
Pennsylvania Department of Conservation and Natural Resources	\$75,000	To support the installation of small wind turbines (10 kW0 at six Pennsylvania state parks.
91 Individual Solar PV Grants	\$1,545,643	SDF Solar PV Grant Program grants for 91 PV systems.
Smart Power	\$300,000	To implement the PA Clean Energy Communities Program.

Project	Amount	Comments
Customer Rewards Program	\$225,000	To provide incentives to clean power marketers to undertake new marketing activities.
Northeast Sustainable Energy Association	\$45,900	To develop an energy curricula for PA's Academic Standards for Environment and Ecology and teacher training.
Design for Social Impact	\$12,781	Printing of PECO bill stuffer about clean energy.
Philadelphia Solar Energy Association	\$1,500	To support the 2005 Junior Solar Sprint program.

Loans

Project	Amount	Comments
Community Energy Inc.	\$1,500,000	For the 21.45 MW Bear Creek Wind Farm located 10 miles southeast of Wilkes-Barre.
Franklin Fuel Cells Inc.	\$500,000	Equity investment for Frankling Fuel Cells Inc., a developer of fuel cells that operate on a wide range of hydrocarbon fuels without the need for a reformer.
M&M Displays Inc.	\$200,000	Enable the company to purchase a new 6-color-in-line screen printing press to save nearly 70 percent in electricity costs for a printing job performed with the new equipment.
Connected Energy Corp.	\$200,000	Developed a commercial product that monitors, controls, verifies and reports on the performance of widely varying energy assets at multiple sites.
Encelium Technologies Inc.	\$163,000	Developed a lighting control and energy management technology that is able to reduce lighting energy costs by 65 percent to 80 percent.
Friends Center Corporation	\$139,500	To incorporate Leadership in Energy and Environmental Design (L.E.E.D.) practices into the planning and design of building projects through the tri-state region.

Conclusion

2005 was another productive year for the TRF Sustainable Development Fund. In addition to its existing lending, investing and grant-making activities, SDF found new ways to leverage its limited resources through innovative financial and program partnerships. SDF looks forward to continuing to work closely with Commonwealth agencies and the administration to accelerate the adoption of clean energy technologies in Pennsylvania.

Sustainable Energy Fund of Central Eastern Pennsylvania (PPL service territory)

<http://www.sustainableenergyfund.org>

Introduction and Highlights

The Sustainable Energy Fund of Central Eastern Pennsylvania (SEF) is a non-profit, private organization dedicated to the use of renewable energy, clean energy technologies, energy conservation, and education. It was founded in 1999 by the Commission with a mission to promote research and invest in clean and renewable energy initiatives and enterprises to benefit residential, commercial, institutional and industrial customers within the PPL electric service territory and throughout the Commonwealth of Pennsylvania.

The SEF seeks out, focuses on, and invests in economically viable, energy-related businesses, projects and/or educational initiatives that create innovative, market-based technologies and solutions to enable environmentally sound and sustainable energy usage. The SEF operates in an entrepreneurial manner as a financially independent and self-sustaining non-profit enterprise, fully incorporated as a 501(c) organization for charitable, educational and scientific purposes.

The SEF provides financial assistance and attractive funding options, including equity investments, commercial loans and grants, for projects that offer a strong fit with its mission. Ideal projects emphasize:

- Renewable Energy Sources - Wind, Solar, Anaerobic Digestion/BioMass;
- Clean Energy Technologies - Fuel Cells, Low-Impact HydroPower, and BioFuels/Ethanol;
- Energy Conservation & Efficiency - light emitting diode (LED) and PV Lighting Technology; and
- Energy Education - Feasibility studies or broad educational initiatives of significant impact.

For Fiscal Year 2005-06, the SEF approved funding of \$4,847,842 for projects using loan or equity instruments and disbursed approximately \$3,411,989 or 74 percent of allocated funds. Timing and specific project issues postponed or cancelled a small portion of the disbursement of these funds. A more detailed explanation of the major activities executed in 2005 is described in the following page.

Financial Approvals
Loans

Project	Amount	Comments
Community Energy	\$1,750,000	For the 24 MW Bear Creek Wind Farm located 10 miles southeast of Wilkes-Barre.
Forest City School District	\$230,000	Developed a lighting retrofit project to replace outdated fixtures with more energy efficient equipment and technology.
Juniata County School District	\$900,000	Project included: lighting and mechanical upgrades; control upgrades; and heating plant replacement for 12 school buildings, including lighting retrofits.
Kountry Kraft	\$358,000	Installation of a state-of-the-art 1.5 million BTU hot water combustion unit that will burn scrap wood produced as a result of the wood cabinet manufacturing process.
SunFarm Ventures	\$200,000	To develop a relationship with a major solar power development company and promote their developing projects and installations in the PPL region.
Green Connexions	\$1,000,000	To provide products and services through two or three renewable energy and energy efficiency business ventures including a Municipal LED retrofit program for all traffic signals within the Commonwealth and the generation, commercialization and marketing of "Green Electricity" by the Production and Conversion of Methane Gas using the Process of Thermoophylic Anaerobic Digestion of Dairy, Cattle, Swine and Chicken manure.

In addition, the SEF provided grants of \$182,632 for the following activities: memberships (14 percent); conference sponsorships (20 percent); energy audits (2 percent); feasibility studies (3 percent); education (30 percent); and LED program (31 percent).

Board Activities

By way of background, the SEF was formed pursuant to a joint settlement agreement arising from the Commission's electric utility deregulation proceedings in 1998. The agreement provides, in part, a rate surcharge on electric power ratepayers through 2004. In 2005, the rate surcharge was renewed for an additional two years through Dec. 31, 2006. The 2005 surcharge was 0.01 cents per kwh and reduced to 0.005 per kwh in 2006. The surcharge is collected from the ratepayers by the electric distribution company, PPL Electric Utilities for this local area, and remitted to the SEF for investment. The SEF is managed by a President and Executive Director who reports to a seven member Board of Directors.

The SEF, as a result of the PPL rate case was notified by the Commission that, beyond 2006, the Fund would receive no further surcharge fees from PPL. Since this ruling was made, the Board of Directors of the SEF sought out ideas and strategies to assist in the continued and sustainable execution of its primary mission described above, without ratepayer dollars. One strategy, which was developed, vetted, and approved by the SEF Board, was the establishment of a wholly owned subsidiary of SEF, funded with debt and equity instruments to allow for the development of "for profit" activities in the renewable energy arena which were parallel and congruent with the interests and mission of the SEF. It was and is anticipated that this investment, similar to SEF's investments in other for profit entities would be developed to provide funds back to the SEF for use in executing its original mission and objectives on a sustainable basis.

Accordingly, the SEF incorporated Green Connexions, Inc. ("GC") in late 2005. The SEF's Board authorized the investment of \$1,000,000 in GC. Half of this funding was allocated to biodigester programs and half to a LED program.

Conclusion

Looking forward, the PPL SEF will be challenged to provide funding for future activities. Sustainable funding sources of revenue have been proposed but await action.

West Penn Power Sustainable Energy Fund

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

Introduction and Highlights

From Jan. 1, 2005, to Dec. 31, 2005, the West Penn Power Sustainable Energy Fund (WPPSEF) approved financing totaling \$3,003,500 and grants totaling \$575,996. The WPPSEF Web site at www.wppsef.org distributes information regarding financial programs and offerings, application request forms and reports that provide background information.

The Keystone Home Energy Program, a residential loan program, is poised for rapid expansion across the Commonwealth. The WPPSEF again organized the Pennsylvania Clean Energy Expo with approximately 11,000 attendees. And finally, the \$1 million investment in the Bear Creek Wind Farm is a continuation of the growth of wind energy in Pennsylvania.

During 2005, the WPPSEF continued its level of investments and grants as listed below.

Financial Approvals

Grants

Project	Amount	Comments
Penn State's Housing Research Center/Affordable Comfort/Penn State's Public Broadcasting	\$275,000	To develop a high performance construction program that utilizes Energy Star or better building technologies focused primarily on the residential sector.
Fayette County Community Action Agency (FCCAA), Community Action Southwest, Westmoreland Human Opportunities and the Pennsylvania Housing Finance Authority	\$100,000	To expand the WPPSEF/FCCAA smart thermostat program for reducing electric and/or natural gas utility bills in the affordable housing sector.
Washington County Airport	\$55,000	To expand the installation of solar photovoltaics.
PCBI-Allen Mechanical	\$50,000	To identify and deploy innovative, low-cost drilling technology to reduce the cost of geothermal heat pump well fields.
Pennsylvania Department of Conservation and Natural Resources	\$25,000	To develop and install a sustainable energy demonstration and educational exhibit in a state park within the WPPSEF service region.

Loans

Project	Amount	Comments
Community Energy Inc	\$1,000,000	To co-fund the construction of the 24.0 MW Bear Creek Wind Farm located approximately 10 miles southeast of Wilkes-Barre.
Plextronics Inc.	\$500,000	To support the development and deployment of their organic-based LED technology.

WPPSEF Administration

The WPPSEF continued to streamline its daily operations while the quality of its services in 2005. The 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 of the WPPSEF are selected by the Fund through a search process and then are nominated for approval by the Pennsylvania Public Utility Commission. All board members serve on a volunteer basis.

The WPPSEF Board of Directors, as of Dec. 31, 2005, consisted of:

- Ed Johnstonbaugh, New York Power Authority, WPSSEF President
- Michele Ponchione, World Kitchen, WPSSEF Vice President
- Rob Hosken, Three Rivers Assoc. for Sustainable Energy, WPSSEF Secretary
- Pat O'Brien, WesBanco Washington, WPSSEF Treasurer
- Linda Boxx, Katherine Mabis Foundation
- Jim Stark, Family Service Center

Mr. Craig Kuennen resigned from the WPPSEF Board on Dec. 19, 2005.

The WPPSEF board selected The Pennsylvania State University to serve as the Fund's administrator, and the Economic Growth Connection of Westmoreland County to provide its financial services to the Fund. In addition, the Fund utilizes the services of Energetics and the Gemstone Group on an as-needed basis. The Fund strives to keep total staff commitment to less than two full-time equivalents per year.

The WPPSEF staff as of Dec 31, 2005, consisted of:

- Joel Morrison, The Pennsylvania State University (The Energy Institute), Fund Administrator
- John Skiavo, Economic Growth Connection of Westmoreland County
- James Smith, Economics Growth Connection of Westmoreland County

Additional support to the WPPSEF is provided by:

- Joe Badin, Energetics
- Gary Kleinman, Gemstone Group
- Adam Stern, Gemstone Group

The WPPSEF schedules its board meetings at the beginning of each calendar year. Full board meetings are held every two months. In addition, the WPPSEF board has developed three working groups (administrative, investment, and grant making), which meet on an as-needed basis. In 2005, the WPPSEF board met on Feb. 10, April 14, June 2, Aug. 11, Oct. 13, and Dec. 8.

Conclusion

The WPPSEF is very proud of its programs and will continue to expand and diversify them in the upcoming year. In 2005, the statewide deployment of sustainable energy technologies was expanded in Pennsylvania, and the level of activity is expected to continue into 2006.

The commitment of \$3,524,496 by the WPPSEF to co-fund seventeen requests is one of the largest annual commitments made since the Fund's inception. The number of projects is increasing, the quality of the funding requests is improving, and the infrastructure needed to deploy sustainable energy is broadening. The WPPSEF will continue to seek and co-fund new, innovative technologies for deployment in 2006