

# TRF Sustainable Development Fund: Incentive Financing for Clean Energy Market Development

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# Presentation Overview

- 1. TRF Sustainable Development Fund (SDF)**
- 2. SDF's PA Advanced Industrial Technology Fund**
- 3. SDF Wind Development**
- 4. SDF Solar PV Program**
- 5. SDF Energy Performance Lease Financing**
- 6. SDF Energy Pre-Development loans**
- 7. TRF Regional Clean Energy Development Fund**



# The Reinvestment Fund

- Recognized as one of the leading Community Development Financial Institutions in the US
- Located in Philadelphia with geographical reach throughout PA, NJ, DE and MD
- Currently manages \$265 million in capital from 850 investors, with more than \$80 million in loans and investments in FY2005
- Active housing, small business, community facilities, venture financing and energy portfolios

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# Sustainable Development Fund

- SDF – the energy-financing arm of TRF
- PA Public Utility Commission created SDF in 1998
- Since its official launch in 12/99, SDF has approved funding for more than 225 companies/projects through loans, grants and equity positions – total value > \$31 million



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# Clean Energy States Alliance



- CESA – a multi-state coalition of clean energy funds
  - Information exchange and analysis
  - Partnership development
  - Joint projects
- 17 clean energy funds in 15 states ranging in size from less than \$4 million/year to over \$135 million/year
- These funds represent over \$3 billion for investment in clean energy over the next decade
- Managed by state agencies, utilities, and independent nonprofits
- [www.cleanenergystates.org](http://www.cleanenergystates.org)

**Clean Energy States Alliance**

California Energy Commission  
Connecticut Clean Energy Fund  
Energy Trust of Oregon  
Illinois Clean Energy Community Foundation  
Long Island Power Authority – Clean Energy Initiative  
Massachusetts Technology Collaborative Renewable Energy Trust  
Metropolitan Edison Company Sustainable Energy Fund of The Berks County Community Foundation (PA)  
New Jersey BPU – Clean Energy Program  
New York State Energy Research & Development Authority  
Ohio Energy Loan Fund  
Pennsylvania Electric Company Sustainable Energy Fund of the Community Foundation for the Alleghenias  
Rhode Island Renewable Energy Fund  
Sustainable Development Fund (Pennsylvania)  
Sustainable Energy Fund of Central Eastern Pennsylvania  
West Penn Power Sustainable Energy Fund  
Wisconsin Focus On Energy  
Xcel Energy Renewable Development Fund (Minnesota)

**CESA YEAR ONE:  
A Report on Clean Energy  
Funds in the U.S.  
2003–2004**

- Commercial loans
- Energy performance lease financing
- Near-equity investments (subordinated debt, royalty financing)
- Equity investments (PA Advanced Industrial Technology Fund)
- Grants (prototype implementation, energy modeling)





# PA Advanced Industrial Technology Fund

- SDF created PA-AIT in 2002 with Blue Hill Partners, a private equity fund.
- PA-AIT – new venture incubator fund that invests in early stage renewable and clean energy companies.
- Co-invests with other equity investors.
- Portfolio companies:
  - **Princeton Energy Systems** – Energy services company that develops energy projects featuring efficiency technologies with PV & other renewable energy systems, as well as combined heating, cooling and power.
  - **Encelium Technologies** – Lighting control & energy management technology.
  - **Connected Energy Corp** – Internet-based equipment and energy management technology).

- \$12 million in wind production incentives for 6 new Pennsylvania wind farms totaling 185 MW
  - Leveraged \$220 million of private investment
  - 4 utilities buying PA wind power
- Syndicated subordinated debt for a 9 MW wind farm
- Financed the equity pay-in for 24 MW wind farm (Babcock & Brown model)



## Leveraged Babcock & Brown model

- Co-developers: Community Energy, Inc. and Babcock & Brown
- 24MW (12 @ Gamesa 2MW G-87 turbines)
- 20-year PPA with PPL Energy
- 2 classes of equity (tax-advantaged and non-tax advantaged)
- SDF syndicated \$5.75 MM in debt to leverage the pay-in of one of the equity participants



- Systems sized between 1 to 5 kW
- PECO Energy service territory
- Any customer class is eligible
- Grant equals \$4/watt<sub>DC</sub>, up to a maximum of \$20,000 and \$1/kWh produced in first year, up to \$5,000
- Larger grants available for commercial and showcase installations
- Construction financing available for new residential projects involving PV



- Energy efficiency measures are designed, installed by an energy services company (ESCO) under an **Energy Performance Contract (EPC)**
- SDF provides **flexible, long term, low-interest financing** to the project, **leveraged with bank financing**
- Benefits: no capital budget approval required, lower operating expenses, does not affect existing loan/bonding covenants of end user
- An important way to finance energy efficiency measures (**e.g. lighting, HVAC**) and DG systems (**e.g. PV, CHP, fuel cells, etc.**)
- Monthly energy savings can be used to lease/purchase PV equipment, buy wind power!



# SDF Energy Pre-Development Loans

- 0% short-term, full-recourse loans for clean energy pre-development costs for green building projects.
- TRF/SDF reserves right of first refusal re: follow-on financing at commercially competitive terms
- Pre-development loan includes partial forgiveness provision if project does not go forward.





# TRF Regional Clean Energy Development Fund

- Current \$32 million SDF fund – nearly fully committed
- TRF/SDF now fundraising for new regional fund to lend/invest in NJ & PA companies/projects
- Clean energy incentive financing, leveraged with private investment
  - Create needed renewable energy generation capacity
  - Invest in clean energy companies
  - Finance energy conservation/efficiency measures at scale.
- First time 2 states would jointly create a regional fund for economic & clean energy market development
- \$10 million conditionally approved; \$20-25 million total



# Contact Us

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