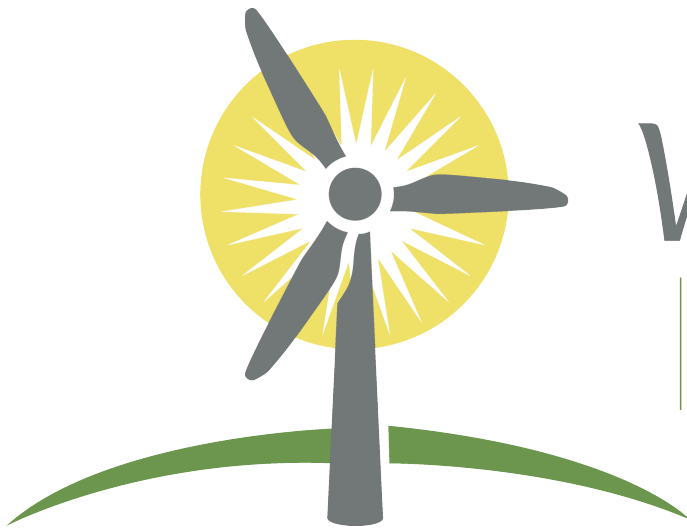


The 2013 Annual Report of the
West Penn Power Sustainable Energy Fund



WPPSEF

WEST PENN POWER
SUSTAINABLE
ENERGY FUND

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INTRODUCTION AND HIGHLIGHTS

In 2013, the West Penn Power Sustainable Energy Fund (WPPSEF) entered its thirteen-year of operations to providing funding for:

- ✓ Promoting the use of renewable and clean energy;
- ✓ Promoting energy conservation and energy efficiency; and
- ✓ Promoting the start-up, attraction, expansion, and retention of sustainable energy businesses.

In 2013, WPPSEF worked diligently to support its active projects, to seek out new projects for funding consideration, and to implement new funding commitments as they are approved. The WPPSEF activities continue to become more visible within the West Penn Power (WPP) service region and across the Commonwealth as new projects are initiated and existing projects are completed. WPPSEF key accomplishments in 2013 include:

SUPPORT OF EXISTING PROJECTS. The need to provide financial, technical, and/or logistical support to projects after WPPSEF's initial funding commitment is an important component of WPPSEF's investment process. In 2013, WPPSEF provided support to four major projects:

Aquion Energy - The WPPSEF provided \$2,000,000 to support the commercialization of Aquion Energy aqueous hybrid ion (AHI) battery technology. The WPPSEF and the Economic Growth Connection (EGC) of Westmoreland worked closely with the Westmoreland County Industrial Development, the Regional Industrial Development Corporation in Pittsburgh, and the Commonwealth of Pennsylvania (Commonwealth Financing Authority and PennVest) to structure and leverage its \$2,000,000 loan. Aquion Energy continues to expand its manufacturing plant in former Sony plant near New Stanton, PA while developing and improving its product line and expanding its workforce.

PA Biomass Energy Association (PBEA) - The WPPSEF provided \$110,000 and committed an additional \$200,000 to help the Pennsylvania biomass heat & power industry to establish an industry-driven non-profit association that is focused on:

- ✓ Promoting and supporting the use of Pennsylvania's sustainable biomass feedstocks,

- ✓ Promote and provide guidance on clean, efficient, biomass heat and combined heat & power technologies and installations, and
- ✓ Educate end users and policy makers on how sustainable biomass feedstocks can meet the heat and power needs of Pennsylvania in a cost-effective, environmentally responsible manner.

In 2013, WPPSEF continued to provide support to help PBEA become organized and to work with its membership to plan its outreach activities. WPPSEF provided a leadership role to help plan and oversee the logistics of a Mid-Atlantic Biomass Heat & Power Conference which will be held at the Wyndham Gettysburg Hotel on April 23-24, 2014. The conference will be a mix of technical presentations and exhibits on April 23 and two field tours (biogas field tour and woody biomass field tour) on April 24. WPPSEF is coordinating the technical aspects of the conference and is providing staffing to support the conference administrative needs. WPPSEF is working with representatives from Delaware, Maryland, Pennsylvania, Virginia, Washington D.C, and West Virginia to ensure a broad impact throughout the Mid-Atlantic region.

Phipps Center for Sustainable Landscapes (CSL) - The WPPSEF committed \$150,000 to support Phipp's construction of a new 24,000 square foot living building complex will house Phipp's research, education, and administrative offices. The new SCL complex was constructed to meet the Living Building Challenge issued by the International Living Future Institute while simultaneously meeting LEED Platinum standards. Phipp's is expected to receive its Net Zero Building Certification under the Living Building Challenge in early 2014.

AFC First Financial Keystone Home Energy Loan Program (Keystone HELP) - The WPPSEF continues to support Keystone HELP which is administrated by AFC First Financial in Allentown, PA. In 2013, WPPSEF concluded its bridge financing support to AFC First's Keystone HELP loans sales to the PA Treasury Department. WPPSEF provided \$1,400,000 in the 2012-2013 timeframe to support Keystone HELP residential lending efforts. WPPSEF continues to work with AFC First to support the continued operation of Keystone HELP.

FUNDING OPPORTUNITY ANNOUNCEMENT. The WPPSEF released its annual Sustainable Energy Financing Request for Proposals (RFP) in August 2012. The proposal submission deadline was January 9, 2013. A total of 15 proposals were submitted and reviewed for funding consideration by the WPPSEF Board of Directors. The use of a RFP process for WPPSEF’s primary grantmaking efforts has received good response within the WPP service region. The next annual Sustainable Energy Financing Request for Proposals (RFP) was released in August 2013 with the submission deadline being January 14, 2014.

NEW FUNDING COMMITMENTS. During 2013, WPPSEF committed an additional \$379,850 to co-fund 14 funding requests. The commitments are summarized in Table 1.

TABLE 1: 2013 Funding Commitments.

| Applicant | Amount | Comments |
|---|------------------|---|
| WindStax Power Systems | \$150,000 | Loan (2). Supports the expansion of WindStax Wind Power Systems manufacturing plant in Pittsburgh, PA. |
| Keystone Elk Country Alliance | \$100,000 | Grant. Supports the installation of a woody biomass heating system in outdoor educational facility at the Keystone Elk Country visitor center in Benezette, PA. |
| Biomass Thermal Energy Council (BTEC) | \$40,000 | Grant. Supports the development of a biomass boiler energy efficiency protocol. WPPSEF is partnering with the US Endowment for Forestry. |
| Farm Pilot Projection Coordination | \$25,000 | Grant. Supports the assessment of farm-based anaerobic digester technology in Franklin County. |
| Threshold Housing | \$25,000 | Grant. ENERGY STAR construction of affordable housing in Uniontown region. |
| Clarion County Library System | \$15,000 | Grant. Supports comprehensive energy audits at 5 public libraries in the Clarion County library system. |
| Alliance for Green Heat | \$5,000 | Grant. Sponsorship of 2013 Wood Stove Decathlon on November 16-19, 2013 on National Mall in Washington D.C. |
| Brownsville Area Revitalization Corporation | \$4,000 | Grant. Supported two workshops focused on the deployment of LEED/ENERGY STAR building practice technologies into Brownsville’s downtown revitalization efforts. |
| Trade Association Memberships - 2014 | \$6,350 | Grants. Annual memberships for Biomass Thermal Energy Council (BTEC), American Biogas Council (ABC), PA Biomass Energy Association, and AFREC. |
| St. Vincent College | \$5,000 | Grant. Supported a university driven clean energy event in Latrobe, PA. |
| City of Connellsville | \$5,000 | Grant. Supported a clean energy expo in Connellsville PA. |
| Total | \$379,850 | |

In addition to the new funding commitments listed in Table 1, the WPPSEF is working with the PA Treasury Department to develop a statewide energy efficiency bond-financing program for the Pennsylvania municipality, university, school, and healthcare (MUSH) sector. The program is expected to be in the preliminary review stage by mid-2014.

WPPSEF ADMINISTRATION

The WPPSEF 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 are selected by the Fund through a search and external nomination process. The WPPSEF Board reviews all applicants and then submits their recommendation to the Pennsylvania Public Utility Commission for final approval. All of the board members serve on a volunteer basis.

The WPPSEF Board of Directors as of December 31, 2013, was:

- John Walliser, *President*
 - ▶ Pennsylvania Environmental Council
- Gwen Auman, *Vice President*
 - ▶ Auman Weis Enterprises
- Jim Stark, *Secretary*
 - ▶ Fayette County Community Action Agency
- Pat O'Brien, *Treasurer*
 - ▶ First Federal Bank of Monessen
- Rob Hosken,
 - ▶ Building Performance Architecture
- Michele Ponchione
 - ▶ World Kitchen
- Ed Miller
 - ▶ West Penn Power

The WPPSEF Board of Directors selected The Pennsylvania State University Energy Institute to serve as the Fund's administrator and the Economic Growth Connection of Westmoreland to provide financial services to the Fund. In addition, the Fund utilizes the services of external consulting firms on an as-needed basis.

The WPPSEF staff as of December 31, 2013, was:

- Joel Morrison, Barbara Robuck, and Elizabeth Wood
 - ▶ The Pennsylvania State University (The EMS Energy Institute)

- James Smith, Donna Bates, and Michael Strong
 - ▶ Economic Growth Connection of Westmoreland

WPPSEF BOARD MEETINGS

The WPPSEF schedules its board meetings at the beginning of each calendar year. Full board meetings are scheduled for every two months. In addition, the WPPSEF Board has developed three ad-hoc three working groups (administrative, investment, and grantmaking) that meet on an as-needed basis.

In 2013, the WPPSEF Board of Directors met on:

- February 14 (Greensburg, PA)
- April 11 (Pittsburgh, PA)
- June 13 (Mt. Pleasant, PA)
- August 8 (Greensburg, PA)
- October 10-11 (State College, PA)
- December 12 (Pittsburgh, PA)