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SEF: Saving money while saving the environment

By Joanna LaFaver

Environmentally-friendly and budget-conscious commercial consumers of energy have an electrifyingly reliable resource right here in the Lehigh Valley.

Allentown-based Sustainable Energy Fund provides information and acquire financing for major energy efficiency projects – and it has already saved millions for its clients.

"Our mission is to educate our community and promote renewable energy and energy efficiency," said SEF President Jennifer Hopkins.

According to its website, 'SEF is a private non-profit organization that assists energy users in overcoming education and financial barriers to a sustainable energy future. A future in which energy is harvested, converted, distributed and utilized in a manner that allows all to meet their energy needs without compromising the ability of their children and grandchildren to meet their needs.'

SEF was established in 1999 as a result of energy deregulation. Each Pennsylvania power distribution company can take rate-payer dollars and set them aside for use in the promotion of renewable energy and energy efficiency.

SEF received money from a PPL public benefit charge, which equated to a few pennies per customer. It established a program to educate and fund sustainability projects throughout Pennsylvania but primarily here in the Lehigh Valley.

By the time funding from the public benefit charge ceased in 2006, SEF had bankrolled \$25 million to sustain the organization and promote its ideals.

With a current nest egg of around \$20.9 million, the organization is able to maintain its endowment, investments and overhead. SEF stays lean with 10 employees well-schooled in breaking down educational and financial barriers.

SEF offers four main areas of educational training.

The first is an annual five day energy conference where educators and business owners are invited to attend and learn more about renewable energy.

"The first three days is hands-on training about any area of renewable energy the students chooses: wind, hydro, solar power and more,' Hopkins said. "They have an opportunity to understand and build a wind turbine, solar farm or measure and understand hydropower."

SEF is able to provide grants and scholarships to needy students who want to attend the conference. Over the last two days of the conference, students are able to choose from 60 different breakout sessions featuring experts in each area.

"This gives them an opportunity to get educated on more current topics, such as, financing renewable projects, fuel cells and new technology" said Hopkins.

"Last year's keynote address was from *New York Times* best-selling author William Kamkwamba who wrote, *The Boy Who Harnessed the Wind*. – he was quite inspirational."

In addition to the seminars and hands-on training, SEF also sponsors a science fair for area students to show off their renewable energy knowledge.

The annual conference has grown to over 500 students.

Hopkins told Lehigh Valley Business the demand for her firm's expertise has grown as well.

"Energy efficiency is a hot topic, thanks in part to Act 129," she said.

Act 129 requires the electric suppliers to decrease demand and peak hours. This allows the generation companies to charge a little more on the bill so that they can administer energy efficiency projects that are subsidized through Act 129.

"But that's energy efficiency, not renewable – which isn't quite as hot anymore," Hopkins said.

SEF also has an educational mission to host "power lunches" in both Allentown and Harrisburg. "This is a grassroots effort (with lunch and a speaker) where we try to nurture the knowledge and passion for renewable energy and energy efficiency," Hopkins explained.

SEF also maintains a speakers' bureau and an online help guide to answer questions.

SEF has sent speakers to everyone from the Girl Scouts to regional Chambers of Commerce.

Jim Kurtz, owner of RER Energy Group, is one of Hopkins' seminar experts. He's also a partner in many renewable energy projects.

RER develops renewable energy systems – primarily solar electric, solar thermal, anaerobic digestion systems and lighting efficiency projects.

"Ultimately we are looking to reduce energy consumption and generate it efficiently through a renewable source" he explained.

"SEF has been a good partner for us because they understand how the incentive structure works for these types of projects, and what is required from a financial perspective. They are very knowledgeable – and provide good options for our customers."

A typical solar electric project costs \$100,000 to \$500,000.

"Typically, SEF provides funding for 50 to 75 percent of the project cost," Kurtz noted.

Companies have a difficult finding funding because only 30-50 percent of traditional banks are comfortable with these types of projects.

"There is a huge need for education," Kurtz said. "We get calls all the time asking us how the numbers work."

State incentives used to be higher for solar projects, but they've dropped to as low as 20 percent. But, the cost of solar projects has dropped more than the incentives over the last few years, so the economics are just as attractive as they have ever been, Kurtz said.

"It's an issue of perception; people are just not aware, so it's helpful to partner with SEF to help provide that education," he noted.

SEF funding is a valuable resource for financing of projects for any size business. Business-to-business loan rates are based on the standard market interest rate and can be written for a term that is best for the business and the project.

SEF is more creative in terms of repayments than a traditional bank.

"We can be as flexible as possible to make it happen" said Hopkins. "We provide funding for projects that meet the mission of SEF.

"There are two questions: is it a sustainable energy project and does the client have the ability to repay the loan?"

Traditional financing doesn't work for all companies.

"Traditionally, banks may not provide the level of funding that SEF does," said Hopkins, "We have the ability to provide 100-percent financing or lower lien positions."

Hopkins said her clients like the idea that their interest payments go to support renewable energy and energy efficiency educational efforts rather than a bank's bottom line.

SEF currently has \$7.6 million distributed in loans at a maximum loan repayment of five years.

"SEF understands the cash flow of the projects: such as the value of a renewable energy credit or how much energy will be saved and therefore will increase the entity's ability to pay – thus we are able to keep the loan periods shorter," said Hopkins.

"We try to structure the payment based on the energy savings so there's no additional cash outflow on

their behalf."

When a business approaches SEF with a proposal it has to go through a number of channels.

"We add value to the project by finding out if they are eligible for any grants or government financing for the project and walk them through the underwriting process," said Hopkins.

Proposals are presented to a committee with Hopkins' recommendation and are either approved or denied.

As of the fiscal year ending on June 30, SEF had committed to provide \$4 million in total funding to 11 separate entities.

Since its inception, SEF has committed to funding 101 projects with a value of over \$26 million.

Projects funded range from an \$8,000 lighting retrofit to a \$2.75 million short-term gap funding. Some area companies who have benefited from SEF funding:

- Allentown Brew Works received a \$255,184 loan to fund a 42 kW solar project.
- Haddad of Allentown received a \$405,000 loan to fund a 100 kW solar project.
- Alliance Hall of Allentown received a \$65,195 loan to fund energy-efficient windows.

"It's the environmental responsibility part that leads people to the door, but ultimately the financial savings is what motivates them to go ahead with the installations," Kurtz said.

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