



Rhode Island
Economic Development Corporation

Building the 21st Century Innovation Economy

RI Renewable Energy Development Fund

Prepared by the Rhode Island Economic Development Corporation

Annual Financial and Performance Report For the year ending 12/31/2012

Submitted to:

Governor Lincoln D. Chafee
Speaker Gordon D. Fox
Senate President M. Teresa Paiva-Weed
A. Ralph Mollis, Secretary of State

March 1, 2013

MEMORANDUM

To: Governor Lincoln D. Chafee
Speaker Gordon D. Fox
Senate President M. Teresa Paiva-Weed
A. Ralph Mollis, Secretary of State
From: John Pagliarini, *Chief of Staff* – RIEDC
Date: March 1, 2013
Subject: RI Renewable Energy Fund Annual Financial Performance Report

Enclosed you will find the Financial and Performance Report (the “Report”) for the Renewable Energy Development Fund (the “Fund”) in accordance with RIGL § 42-64-13.2. As prescribed by statute, the Report sets forth the Rhode Island Economic Development Corporation’s (“the Corporation”) receipts and expenditures for the Fund from January 1, 2012 through December 31, 2012. Additionally, the Report sets forth a summary of annual financial performance, a listing of private consultants engaged by the Corporation on a contract basis to provide external technical expertise, details of staff engaged with Fund administration, including a summary of clerical, administrative and technical support received.

This report will be posted electronically on the General Assembly and the Secretary of State’s websites as prescribed in RIGL § 42-20-8.2. I am available to answer any questions you may have about this report.

Sincerely,

John Pagliarini
Chief of Staff
Rhode Island Economic Development Corporation

**RI Renewable Energy Development Fund
Annual Financial and Performance Report
Table of Contents**

SECTION	PAGE
Summary.....	3
Revenues.....	4
Expenditures.....	5
Listing of Consultants.....	7
Staff, Clerical, Administrative and Technical Support.....	8
Project Investments.....	9
Performance Summary.....	10
Recommendations for Improvement.....	13

SUMMARY

By statute RIGL § 28-52, the management of the Renewable Energy Fund (the “Fund”) was transferred to the Rhode Island Economic Development Corporation (the “Corporation”) on July 8, 2008. The Corporation, in accordance with RIGL § 28-52, and in the furtherance of its responsibilities to promote and encourage economic development, manages the Fund as a program of the Corporation. As part of this responsibility, the Corporation provides the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Secretary of State, a financial and performance report, by March 1 of each year.

This financial and performance report covers the period from January 1, 2012 – December 31, 2012. Provided below is a summary of financial activity for the year:

BEGINNING FUND CASH BALANCE	\$3,808,742
REVENUE	
Renewable Energy Standard Payments	\$2,303,592
Alternative Compliance Payments	\$5,234,710
Investment Interest	\$ 1,266
Loan Payments	\$ 45,177
Returned Funds	\$ 179,749
Total Income	\$7,764,494
EXPENDITURES	
REF Project Awards	\$2,683,139
Administrative	\$ 60,516
Legal	\$ 45,450
Sponsorships/Memberships	\$ 17,500
Total Expenses	\$2,806,605
CASH BALANCE	\$8,766,631
OUTSTANDING COMMITMENTS	\$1,597,058
ACCRUED EXPENSES	\$ 132,361
ENDING FUND BALANCE	\$7,037,212

***Please Note: \$4,500,000 has been dedicated to 4 new programs and 2 special projects for 2013.**

REVENUE

The Fund receives its revenue from the following sources

1. **Electric Distribution Company Renewable Energy Charge**
Per RIGL § 39-2-1.2, effective as of January 1, 2008, and for a period of ten (10) years thereafter, each electric distribution company includes charges of .3 mills per kilowatt-hour delivered to fund renewable energy programs. Payments are made by Rhode Island's electric distribution companies on a monthly basis to meet these requirements.
2. **Alternative Compliance Payments**
Per RIGL § 39-24.4, effective in 2007, the Rhode Island's Renewable Energy Standard (RES) requires 3% of total retail sales to be derived from renewable energy, reaching 16% by 2019 and after. Suppliers may also fulfill their obligation by making alternative compliance payments ("ACP") to the renewable energy development fund.
3. **Investment Interest**
The Fund also maintains its cash balance in an interest bearing account. Investment Interest represents the total of interest payments received on cash deposits.
4. **Loan Payments**
As part of the Fund's activities, it provides recoverable grants and low interest loans to RI Renewable Energy projects. Loan Payments represent principal and minimal interest repayments from successful projects.
5. **Returned Funds**
On rare occasions, money is returned to the Renewable Energy Fund from an Award Recipient. This happens when a project does not go forward or when the REF needs to assist an Award Recipient with efficiently dispersing funds.

RI RENEWABLE ENERGY FUND: INCOME SUMMARY

Electric Distribution Renewable Energy Charges	\$2,303,592
Alternative Compliance Payments	\$5,234,710
Investment Interest	\$1,266
Loan Payments	\$45,177
Returned Funds	\$179,749
TOTAL INCOME	\$7,764,494

EXPENDITURES

Expenditures for the Fund consist of cash payments for the following:

1. Renewable Energy Fund Project Awards
Direct project support for grants, recoverable grants, loans and other investments made to support the Fund's four funding programs– Municipal projects, Affordable Housing projects, Technical/Feasibility studies and Commercial projects.
2. Administrative
Direct administrative expenses of the Fund, including but not limited to: staff salaries, office and office supplies, reimbursable expenses, etc.
3. Legal
Direct legal support for the Fund.
4. Sponsorships/Memberships
This expense category includes the Corporations' membership to Renewable and Clean Energy Industry trade groups, professional affiliations, and the like. An example would include the Corporation's membership fees as part of the New England Clean Energy Council. Another example is REF's sponsorship of the Marine Renewable Energy Technical Conference which took place in Warwick.

RI RENEWABLE ENERGY FUND: EXPENSE SUMMARY

Renewable Energy Fund Project Awards	\$2,683,139
Administrative	\$ 60,516
Legal	\$ 45,450
Sponsorships/Memberships	\$ 17,500
TOTAL EXPENSES	\$2,806,605

ACCRUED EXPENSES and OUTSTANDING COMMITMENTS

The Fund also accounts for its committed expenses – expenses that it has incurred or committed to but has not yet paid. These include the following:

1. REF Awards:
Projects that receive an award from the Fund are not always immediately funded. For example, often times the Fund provides “seed” funding, which is awarded, but not made available until the applicant secures all other project funding. The Fund may also choose to award a “rebate” to the applicant. The Fund accounts for all outstanding liabilities in its budgeting and in this report.
2. Administrative:
At the end of the reporting period, the Fund had incurred administrative expenses (ex: salaries, legal, etc.), which had not been paid. This accrued expense is recognized in this annual report.

RI RENEWABLE ENERGY FUND: ACCRUED EXPENSES

REF Awards	\$1,597,058
Administrative	\$132,361
TOTAL ACCRUED and COMMITTED EXPENSES	\$1,729,419

CONSULTANTS

Below is a listing of consultants, the total amounts paid and a description of services that have been contracted by the REF:

REF did not pay any consultants for services between 1/1/2012 – 12/31/2012

STAFF, CLERICAL, ADMINISTRATIVE AND TECHNICAL SUPPORT

The Fund receives – and pays for on an allocated basis management – clerical, administrative and technical support from the Corporation. Below is a listing of all dedicated staff employed by the Fund:

Hannah Morini: Program Manager

Julian Dash: Director (left in Jun 2012)

PROJECT INVESTMENTS

In 2012, the Fund received 7 applications totaling \$1,500,000 in requests. Of these applications, the Fund awarded 4 projects totaling \$815,841 in awards and supporting over \$5,000,000 in total development.

During most of 2012, the REF was being restructured into a more clear and directed fund with specific programs for applicants to utilize in 2013.

Attachment 1 provides a detailed schedule of project investments made by the Corporation in 2012.

Note: In early 2012, the REF managed an allocation of \$2MM in American Recover and Reinvestment Act (“ARRA” aka “Stimulus) Energy Funds. The above values do not include the requests and funding the REF program made under its administration of ARRA.

PERFORMANCE SUMMARY

In 2012, the Fund sought to build upon its existing success in the overall management of the program, and to work with stakeholders on developing and implementing new and improved funding programs.

Specific areas in which the REF made achievements:

1. Administration.
2. Process and Transparency: The EDC Board passed new Rules and Regulations for 2013.
3. Program Development: The newly transformed Rules and Regulations outline 4 specific programs including: small-scale solar, commercial renewables, early-stage commercialization, pre-development studies.

Administration

The Corporation completed its statutorily identified administrative responsibilities of the Fund:

Deadline	Deliverable	Status
January 1, 2012	A 5 Year Strategic Plan, updated as needed	Completed, on time
March 1, 2012	A financial and performance report	Completed, on time

Process and Transparency

1. In late 2012, the EDC Board adopted new Rules and Regulations for the Renewable Energy Fund. Included was a newly formed REF Advisory Board to support REF Staff in future decision-making:

“RIEDC Renewable Energy Fund Advisory Board” means the body, as appointed by the Director or “Acting Director” of the Renewable Energy Fund, that may make recommendations regarding a project to be voted on by the RIEDC Board of Directors. The RIEDC Renewable Energy Fund Advisory Board shall consist of no fewer than:

- (a) Two (2) employees of the RI Office of Energy Resources.
 - (b) One (1) EDC Staff person from the Renewable Energy Fund.
 - (c) One (1) EDC Staff person from Financial Services.
 - (d) The Director of the Science and Technology Advisory Council (STAC) or her designated appointee.
2. The new Rules and Regulations also contain designated deadlines and funding allocations. This allows the businesses and individuals who depend on the Renewable Energy Fund to know what the focus of the Fund is and when money will be dispersed.

Program Development

The Renewable Energy Fund Programs passed in 2012 for 2013 include:

- \$1,500,000 for residential and small-scale solar systems
- \$1,000,000 for commercial renewable energy projects
- \$1,000,000 for early-stage commercialization in renewable energy technologies
- \$750,000 for pre-development of renewable energy projects

RECOMMENDATIONS FOR IMPROVEMENT

Currently, REF Staff is involved with developing the Comprehensive State Energy Plan as a member of Steering Committee. This process is being orchestrated by the Office of Energy Resources under the direction of the Governor's Office. At this time, due to the on-going nature of this project, REF staff feels it is too early to make any long term strategy recommendations aside from the State Energy Plan.

Attachment 1: Project Awards (Commitments in CY '11)

City of Providence

	Type	Technology	Location	REF \$	TDC
City of Providence	Feasibility Study	Solar, Hydro, Wind	Providence	\$259,460	\$293,060
RI Resource Recovery Corp.	Feasibility Study	Solar on landfill	Johnston	\$37,500	\$112,500
Town of Glocester	Feasibility Study	Hydro	Glocester	\$18,881	\$18,881
PCS Utilidata *	Commercial	Varied	Providence	\$500,000	\$5,000,000
Total				\$815,841	\$5,424,441