



RI Renewable Energy Development Fund

Prepared by the Rhode Island Economic Development Corporation

Annual Financial and Performance Report For the year ending 12/31/2008

Submitted to:

Governor Donald L. Carcieri
Speaker William J. Murphy
Senate President M. Teresa Paiva-Weed
A. Ralph Mollis, Secretary of State

March 1, 2009

MEMORANDUM

To: Governor Donald L. Carcieri
Speaker William J. Murphy
Senate President M. Teresa Paiva-Weed
A. Ralph Mollis, Secretary of State
From: J. Michael Saul, (Interim) Director - RIEDC
Date: March 1, 2009
Subject: July 8, 2008 - December 31, 2008 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 § 28-52. As prescribed by statute, the Report sets forth the Rhode Island Economic Development Corporation’s (“the Corporation”) receipts and expenditures for the Fund managed by the Corporation from July 8, 2008 until December 31, 2008. Additionally, the Report sets forth a listing of private consultants engaged by the Corporation on a contract basis, staff supported by the Fund, a summary of any clerical, administrative or technical support received, and a summary of performance during the prior year.

These reports 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,



J. Michael Saul
(Interim) Director
Rhode Island Economic Development Corporation

**RI Renewable Energy Development Fund
Annual Financial and Performance Report
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Attachments:

- A. Rules and Regulations
- B. 5 Year Strategic Plan
- C. RIGL §2852 (as amended)
- D. Ocean Special Area Management Plan (“Ocean SAMP”) Budget

SUMMARY

By statute RIGL § 28-52¹, 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 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 July 8, 2008 – December 31, 2008. Since July 8, 2008, the Corporation has focused its efforts on access of the Fund from National Grid, as well as the staffing and organizational needs of the Fund. Additionally, the Corporation has worked towards identifying and funding sound renewable energy investment projects which promote economic development in the State’s economy and advanced renewable forms of energy.

Since July 8 2008, the Corporation has identified its funding sources, hired two staff members to direct and manage the Fund, established its guiding rules and regulations², put forth its Five Year Strategic Plan³, conducted a municipal forum, solicited proposals for eligible projects, and provided financing for renewable energy projects in Rhode Island.

INCOME	
Opening Balance as of 7/8/08	\$4,457,321
Renewable Energy Standard Payments	\$804,455
Alternative Compliance Payments	\$2,456
TOTAL INCOME	\$5,264,232
EXPENSES	
Direct Project Support	\$511,976
Consulting and Legal	\$83,872
Ocean SAMP ⁴	\$541,613
Salaries and Fringe ⁵	\$17,180
Miscellaneous Expenses	\$149
TOTAL EXPENSES	\$1,154,790
Fund Balance as of 12/31/08	\$4,109,442

¹ See attachment C

² See attachment A

³ See attachment B

⁴ See attachment D

⁵ Salaries and Fringe are expenses incurred by the REF but paid out of the RIEDC operating budget. The amount reflected in this budget is an incurred amount to be reimbursed back to the RIEDC.

Income

The Fund receives its revenue from two separate sources:

1. Effective as of January 1, 2003, 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. The payments made by Rhode Island's two utility providers, National Grid and Pascoag Utility District, contribute to the Fund on a monthly basis to meet the requirements in RIGL § 39-2-1.2;
2. 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 a renewable energy development fund.

INCOME SUMMARY	
Renewable Energy Standard Payments	\$804,455
Alternative Compliance Payments	\$2,456
TOTAL INCOME	\$806,912

Income		
<u>Date</u>	<u>Deposit</u>	<u>Amount</u>
9/15/08	National Grid	\$237,024
10/10/08	National Grid	\$223,981
11/10/08	National Grid	\$196,683
12/10/08	National Grid	\$145,525
12/29/08	Alternative Compliance Payments: Integrys	\$1,771
12/30/08	Pascoag Utility District	\$1,243
12/31/08	Alternative Compliance Payments: Direct Energy	\$685
		\$806,912

Total Payments Received by 12/31/08: \$806,912

Expenses

The expenses for the Fund consist of direct project financing, consulting and legal fees, the Ocean Special Area Management Plan (Ocean SAMP) expenses, salaries, and miscellaneous expenses. The Fund's cash expenses total \$1,154,790.

EXPENSE SUMMARY	
Direct Project Support	\$511,976
Consulting and Legal	\$83,872
Ocean SAMP	\$541,613
Salaries and Fringe	\$17,180
Miscellaneous Expenses	\$149
TOTAL EXPENSES	\$1,154,790

Date	Deposit	Amount	Purpose
7/3/08	Bank Fee	\$52	Administrative - Checks
7/3/08	Bank Fee	\$21	Administrative - Checks
9/4/08	Loan - Town of Portsmouth ⁶	\$400,000	Direct project support: Loan
10/30/08	Adler,Pollock& Sheehan	\$40,783	Consulting and Legal Fees
10/31/08	Salaries & Fringe	\$1,863	Administrative: Salaries
11/7/08	Adler,Pollock& Sheehan	\$ 7,500	Consulting and Legal Fees
11/7/08	New Energy Opportunities	\$19,615	Direct project support: Consulting
11/7/08	Peregrine	\$975	Direct project support: Consulting
11/30/08	Salaries & Fringe	\$3,726	Administrative: Salaries
11/30/08	Reimbursables	\$171	Administrative: Reimbursable Expenses
12/2/08	Adler,Pollock& Sheehan	\$7,500	Consulting and Legal Fees
12/2/08	Town of Jamestown	\$30,000	Direct project support: Grant
12/2/08	Slater Mill	\$16,976	Direct project support: Grant
12/2/08	NPCP (National Photovoltaic Construction Partnership)	\$60,000	Direct project support: Grant
12/11/08	Dorrance Printing	\$76	Administrative - Printing
12/18/08	Patrick Petrarca	\$5,000	Direct project support: Grant
12/30/08	Adler,Pollock& Sheehan	\$7,500	Consulting and Legal Fees
12/31/08	Salaries & Fringe	\$11,419	Administrative: Salaries
	Ocean SAMP	\$541,613	

Total Expenses as of 12/31/08: \$1,154,790

⁶ This loan was awarded to the Town of Portsmouth for the purchase and installment of a wind turbine. The loan has a 15 year term with an interest rate of 2%.

Listing of Consultants

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

1. New Energy Opportunities, Inc (NEO): \$19,615
NEO was contracted through the State office of Energy to perform consulting services for the State off-shore wind project.
2. Peregrine Energy Group (PEG): \$975
PEG provided consulting services in connection with the State's off-shore wind stakeholder group. Services included making preparing and revising the stakeholder report, publicizing the report and communication with State agencies regarding the Stakeholder report.
3. Adler Pollack & Sheehan (APS): \$63,283
APS provides all the legal services needed by the Fund. Their services include everything from general council, negotiations, loan and other documentation preparation/review, and all other requests by the Fund.
4. Ocean SAMP: \$541,613
The Coastal Resources Management Council (CRMC) and the University of Rhode Island's School of Oceanography is conducting an Ocean SAMP to identify and permit an off-shore wind site. Deepwater Wind has been chosen as the State's preferred developer. The State of Rhode Island and Deepwater Wind executed a Joint Development Agreement on January 2, 2009. Deepwater Wind agreed to reimburse The Corporation up to 3.2 million for SAMP expenses.

Staff, clerical, administrative and technical support

The Fund, managed by the Corporation, receives clerical, administrative and technical support through the Corporation's existing infrastructure.

Below is a listing of all Staff employed by the Fund:

Julian Dash:	Director
Jennifer Paolino:	Program Manager

Performance Summary

This year the Corporation developed and implemented foundational tools to ensure the success and transparency of the Fund. The intention of the Corporation is to use the Fund as a catalyst for encouraging renewable energy development in Rhode Island by financing projects that are strategic investments in our State's economy. Below is a summary of the Corporation's accomplishments, challenges, project investments, cost effectiveness of renewable energy and recommendations for improvements:

Accomplishments:

- Identified funding sources and outstanding obligations by the Office of Energy Resources (OER)
- Hired professional staff to direct and manage the program
- Developed Rules and Regulations for the Fund which were approved through the Administrative Procedures Act
- Developed the 5-Year Strategic Plan which will guide the Fund which were approved through the Administrative Procedures Act
- Created and issued applications for the Fund's financing
- Provided funding for economically sound renewable energy projects
- Conducted a municipal forum⁷
- Developed marketing materials

Challenges:

The Corporation has outlined an aggressive strategic plan with goals and objectives for the Fund over the next five years. The Fund's staff will work to meet these goals and objectives, and this will be the standard for determining the accomplishments and challenges in upcoming years. Specifically, the Fund will strive to:

- Adhere to timelines and deadlines for the Fund's activities
- Conduct operations in a transparent and accountable manner
- Efficiently and effectively manage the Fund and its resources
- Identify and secure additional funding sources
- Fund cost-effective projects that meet standards set forth by the Corporation
- Support projects that are strategic economic investments in Rhode Island's renewable energy sector
- Collaborate with stakeholders to improve the green economy in Rhode Island

⁷ The municipal forum was an informational session about the Fund. The forum helped to insure that municipalities understand the application process and are encouraged to apply.

Project Investments:

Listed below are project investments⁸ made by the fund through 12/31/08:

- | | |
|--|-----------|
| 1. Town of Portsmouth: | \$400,000 |
| 2. Slater Mill: | \$16,976 |
| 3. Town of Jamestown: | \$30,000 |
| 4. National Photovoltaic Construction Partnership (NPCP) | \$60,000 |
| 5. Residential grants: | \$5,000 |

On November 4, 2008, the Fund provided a \$400,000 loan to the town of Portsmouth to help fund a 1.5mW wind turbine which will be located at the Portsmouth Middle School. This loan will be used in conjunction with a \$2.3MM Clean Renewable Energy Bond (“CREB”) that was secured by the Town. The loan has a 15 year term at an interest rate of 2%. The Portsmouth wind turbine will be the largest wind turbine in Rhode Island, 336 feet, and will power approximately 60% of the Town’s electricity. The turbine is expected to be installed and commissioned in March 2009.

The Fund provided a grant of \$16,976 to Slater Mill on December 2, 2008 for the feasibility study for preserving, restoring, or replacing two existing hydraulic turbines. The grant supported administrative costs and consultant fees. The study determined that the project would not generate sufficient electricity and thus was not feasible.

On June 30, 2008, the Office of Energy Resources awarded a grant of \$6,300 to Patrick Petrarca, a Rhode Island resident, for the installation of photovoltaic solar panels. On December 18, 2008 the Fund provided a progress payment of \$5,000 to this individual, pursuant to his agreement with the Office of Energy Resources. The remainder of the grant will be awarded to him upon the completion and commissioning of his project.

The Fund provided a grant of \$30,000 to the Town of Jamestown on December 2, 2008 for a thorough feasibility study to determine the viability of erecting and operating wind turbines in the Town. The award is contingent upon \$30,000 in matching funds appropriated by the Town of Jamestown or an alternate funding source, in order to finance the remainder of the project. The total cost of the feasibility study is estimated at \$60,000. The Town will share the results of the study with the Corporation.

On December 2, 2008, the Fund authorized the final payment of \$60,000 to National Photovoltaic Construction Partnership, the installer for the IBEW Local 99 solar photovoltaic system⁹. The IBEW Local 99 had a 50kW installed on their offices at 22 Amflex Drive, Cranston, RI.

The Corporation intends to deploy a significant amount of the Fund’s capital on direct project support in 2009. The Corporation will make every effort to provide financing that makes projects financially viable while providing significant economic development

⁸ The project investments listed are outstanding obligations of the OER which the Corporation committed to funding.

⁹ The Fund authorized payment pursuant to the receipt of a final certificate.

returns to the State. Project investments will focus on cost-effective renewable energy projects across diverse technologies.

Cost-Effectiveness of Renewable Energy Investments by the Corporation:

To date, the majority of the Corporation's investments in renewable energy have gone to projects that were approved by the OER prior to July 8, 2008. The Corporation believes that each award should be a cost effective investment that leverages other funding sources and provides an economic return to the State.

Recommendations for Improvement:

In order to more provide financing for renewable energy projects in the State, the Corporation identifies several areas of improvement:

Identification of New Sources:

Currently, the Fund is able to finance projects that utilize "eligible renewable energy sources", which are defined to be electricity-generating technologies¹⁰. The Fund is unable to finance projects that utilize technologies that do not generate electricity such as solar thermal, geothermal, and biodiesel, despite the fact that may be cost-effective. The Corporation will seek out alternative sources of capital for the Fund in order to diversify its renewable energy investments

Public Policy and Legislation

The Fund assists in renewable energy financing by supporting public policy and legislation that assists project developers in renewable energy development. It is critical that our State policies are aligned with our Federal policy, and continue to promote renewable energy in Rhode Island.

Federal Governmental Sources

The American Recovery and Reinvestment Act of 2009 (ARRA) offers a significant amount of resources in the renewable energy sector. One key aspect of this bill is that it allows taxpayers eligible for the federal business energy investment tax credit (ITC) to take this credit or to receive a grant from the U.S. Department of Treasury for new installations. The Fund will ensure that Rhode Island businesses are aware of this benefit. Additionally, the Fund will strive to secure capital for projects from the ARRA and/or advocate for individual State projects to secure this funding.

Private Capital

In addition to the Federal Government sources above, the Corporation will identify and work to attract private capital into the Fund's supported projects. The compilation of the Fund's financing, federal government resources, as well as debt and private equity will create financial structures that make renewable energy projects financially viable and "shovel-ready".

¹⁰ The one exception to this is that the statute allows solar thermal panels to be "eligible" if they are used for an affordable housing project.

Conclusion:

As of December 31, 2008, the balance of the Fund was \$4,109,442.00. Based on historic data, the Corporation expects to generate approximately \$2.5 million for the Fund annually. The Corporation will work with the Office of Energy Resources, the Department of Environmental Management, the Public Utilities Commission and others to ensure that the Fund integrates state and federal policies and programs, utilizes diverse renewable energy resources, and that the administration of the Fund is transparent and accountable.

The Governor and the General Assembly have been extremely supportive of renewable energy development in the State. The Corporation looks forward to working to fulfill all the goals and objectives in order to attain the State's renewable energy goals.