



RI Renewable Energy Development Fund

Prepared by the Rhode Island Commerce Corporation

**Annual Financial and Performance Report
For the year ending 12/31/2014**

Submitted to:

Governor Gina M. Raimondo
Speaker Nicholas A. Mattiello
Senate President M. Teresa Paiva-Weed
Nellie M. Gorbea, Secretary of State

March 1, 2015

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Rhode Island Renewable Energy Development Fund
Annual Financial and Performance Report: 1/1/2014 - 12/31/2014

MEMORANDUM

To: Governor Gina M. Raimondo
Speaker Nicholas A. Mattiello
Senate President M. Teresa Paiva-Weed
Nellie M. Gorbea, Secretary of State

From: **William Ash, Managing Director of Financial Services –
Commerce RI**

Date: March 1, 2015

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 Commerce Corporation's ("Commerce RI") receipts and expenditures for the Fund from January 1, 2014 through December 31, 2014. Additionally, the Report sets forth a summary of annual financial performance, a listing of private consultants engaged by Commerce RI 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,



William Ash
Managing Director of Financial Services
Commerce RI

**RI Renewable Energy Development Fund
Annual Financial and Performance Report
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SUMMARY

By statute RIGL § 28-52, the management of the Renewable Energy Fund (the “Fund”) was transferred to the Rhode Island Economic Development Corporation, now known as the Rhode Island Commerce Corporation (Commerce RI) on July 8, 2008. Commerce RI, 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 Commerce RI. As part of this responsibility, Commerce RI 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, 2014 – December 31, 2014. Provided below is a summary of financial activity for the year:

BEGINNING FUND CASH BALANCE	\$10,623,240
REVENUE	
Renewable Energy Standard Payment receipts	\$2,304,846
Alternative Compliance Payment receipts	\$ 56,454
Repayments on Loans	\$ 58,785
Total Income	\$2,420,085
EXPENDITURES	
REF Project Award Payments	\$ 796,576
Administrative	\$ 293,215
Legal	\$ 54,000
Sponsorships/Memberships	\$ 41,120
OER Consultants	\$ 99,999
REF Project Inspectors	\$ 9,400
Total Expenses	\$ 1,294,310
CASH BALANCE	\$11,749,015
OUTSTANDING COMMITMENTS	\$ 3,845,695
SLATER ENERGY FUND CREATION	\$ 3,000,000
ENDING FUND BALANCE	\$ 4,903,320

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 § 39-26-4, 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 per RIGL§ 39-26-7.
3. **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.

RI RENEWABLE ENERGY FUND: INCOME SUMMARY

Electric Distribution Renewable Energy Charges	\$2,304,846
Alternative Compliance Payments	\$56,454
Repayment of Loans	\$58,785
TOTAL INCOME	\$2,420,085

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 funding programs– commercial-scale renewable energy, small-scale solar, feasibility studies, and early stage commercialization.

2. Administrative

Direct administrative expenses of the Fund, including but not limited to: staff salaries, office and office supplies, marketing efforts of the fund, and reimbursable expenses, etc.

3. Legal

Direct legal support for the Fund.

4. Sponsorships/Memberships

This expense category includes the Commerce RI's membership to Renewable and Clean Energy industry trade groups and professional affiliations. An example would include the Commerce RI's sponsorship of NECEC's Cleantech Navigate Northeast which is nurturing a regional ecosystem for cleantech start-ups. Another example is REF's membership in Solar Energy Industry Association (SEIA) and Northeast Sustainability Association (NESEA).

5. Office of Energy Resources Consultants

The OER has been granted approval from the Commerce RI Board of Directors to receive REF funds for specific tasks. Coordination between the agencies is required under R.I.G.L 42-140-3.

6. REF Project Inspectors

The REF works with a Project Inspector hired through a competitive RFP process. This is a necessary project expense due to the increased volume of renewable energy construction projects.

RI RENEWABLE ENERGY FUND: EXPENSE SUMMARY

Renewable Energy Fund Project Awards	\$796,576
Administrative	\$293,215
Legal	\$ 54,000
Sponsorships/Memberships	\$ 41,120
OER Consultants	\$ 99,999
REF Project Inspectors	\$9400
TOTAL EXPENSES	\$1,294,310

ACCRUED EXPENSES and OUTSTANDING COMMITMENTS

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

1. REF Awards:

Projects that receive approval from the Commerce RI Board of Directors are not paid out until the renewable energy project is completed and inspected. 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, consultants, etc.), which had not been paid. This accrued expense is recognized in this annual report.

- 3. Commitments:** The Commerce RI Board of Directors approved the formation of the Slater Energy Fund with the REF participating as a limited partner. Renewable Energy Fund (REF) would invest up to \$3 million if \$5 million in private funds are raised by Slater. The Slater Energy Fund, L.P. (Fund) intends to invest in Rhode Island energy technology companies attacking the world's most important problems by helping customers reduce energy costs and consumption, while operating profitably and sustainably. The Fund's focus is on renewable energy, energy management and storage, and resource efficiency, especially through technology and business model innovation. The Fund is structured as a traditional, early stage venture capital fund, with a General Partner (special purpose entity) and Manager (Slater), seeking approximately \$8 million of committed capital from primarily Rhode Island-based investors.

**RI RENEWABLE ENERGY FUND: ACCRUED EXPENSES and
COMMITMENTS**

REF Awards	\$3,818,792
REF Project Inspector	\$26,903
Slater Energy Fund	\$3,000,000
TOTAL ACCRUED and COMMITTED EXPENSES	\$6,845,695

CONSULTANTS

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

1. The Brattle Group was hired through a competitive RFP Process to provide the Office of Energy Resources with a Rhode Island Renewable Energy Economic and Jobs Impact Study which is mandated under statute. Please see “expenditures” for details on “OER Consultants.

Total Amount Paid to The Brattle Group: \$99,999

2. ANC Consultants was hired from the Master Price Agreement on the State Purchasing website to provide inspection services for projects funded through the REF. Their contract began in July of 2013 and ended in June of 2014.

Total Amount Paid to ANC Consultants: \$9,400

STAFF, CLERICAL, ADMINISTRATIVE AND TECHNICAL SUPPORT

On an allocated basis the Fund pays for management, clerical, administrative and technical support from Commerce RI. Below is a listing of all dedicated staff employed by the Fund:

Hannah Morini: Program Manager

Shauna Beland: Portfolio Manager

PROJECT INVESTMENTS

In 2014, the REF awarded funds to 44 applications totaling \$3,033,733 grants and loans representing 145 individual projects and 2683kW of grid-connected renewable energy.

The Small Scale Solar program funded 129 projects in 2014. Eleven solar installers participated in the program. Please see **Attachment 1** for specific awards. Additionally, Rhode Island companies are hired to work on individual projects. These companies include electricians, electrical engineers, structural engineers, roofing companies, hired installers, project developers, and surveyors.

The Commercial Scale program funded 25 solar projects ranging from 10-241kW. Grants totaled \$2,198,482 in its first year of implementation. The commercial program is marketed to businesses, municipalities, schools, and other entities as a way to manage and control utility bills through the installation of renewable energy. Please see **Attachment 2** for specific commercial scale awards.

For every \$1 of REF funding a project and additional \$3.30 is funded from other sources.

PERFORMANCE SUMMARY

In 2014, 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: Hired a Portfolio Manager to monitor all REF projects post-award.
2. Process and Transparency: Implemented written Policies and Procedures for the REF. These accompany the Rules and Regulations implemented in December of 2013.
3. Program Improvements: The REF hosts quarterly solar stakeholder meetings and through feedback directly from the industry, changes to future solicitations were made. These changes improved and streamlined the application process for solar installers and reduced the staff time REF spends reviewing applications.
4. Program Development: The REF Rules and Regulations strive for greater predictability and reliability in the renewable energy industry by establishing programs that will be available for 3 years. Starting in 2014, all specific funding program details are released in “Requests for Projects” which allow Commerce RI to adapt and improve the REF more regularly while leaving the overall programs intact for no fewer than three years. Funding schedules and deadlines for the RFPs are available on Commerce RI’s website.

Commerce RI completed its statutorily identified administrative responsibilities of the Fund:

Deadline	Deliverable	Status
January 1, 2014	A 5 Year Strategic Plan, updated as needed	Completed, on time
March 1, 2014	A financial and performance report	Completed, on time

RECOMMENDATIONS FOR IMPROVEMENT

Commerce RI strives to improve programmatic viability of the REF on a continual basis. This is accomplished through robust stakeholder interactions, transparent policies and procedures, and ongoing education and implementation of best practices.

Furthermore, REF Staff is involved with developing the Comprehensive State Energy Plan as a member of the Steering Committee. This process is being orchestrated by the Office of Energy Resources. 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: Small Scale Solar Project Awards (Commitments in CY 14)

Project #/ Applicant	# of projects	REF Award	Total Development Costs
REF 6-118: Newport Solar	11 projects	\$73,612	\$ 291,421
REF 6-119: RGS Energy	11 projects	\$67,031	\$ 234,575
REF 6-120: Sol Power	2 projects	\$16,075	\$ 51,425
REF 6-121 Entech Engineering	5 projects	\$19,137	\$ 71,521
REF 6-122 Sol Power	2 projects	\$19,450	\$ 64,130
REF 6-123 RGS Energy	14 projects	\$103,625	\$ 368,580
REF 6-125 Newport Renewables	1 project	\$9,800	\$ 33,320
REF 6-126 Weisman Roofing	1 project	\$4,125	\$ 19,098
REF 6-127 Got Sun- Go Solar	2 projects	\$17,087	\$ 59,171
REF 6-128 Rexel Energy	1 project	\$10,000	\$ 18,468
REF 6-129 BCX Energy	2 projects	\$14,725	\$ 77,338
REF 6-130 Newport Solar	18 projects	\$116,180	\$ 440,163
REF 6-131 US Solar Works	3 projects	\$19,218	\$ 102,719
REF 6-132 Sunwatt Solar	2 projects	\$13,775	\$ 41,400
REF 6-133 Entech Energy	2 projects	\$11,475	\$ 74,776
REF 6-134 US Solar Works	2 projects	\$12,650	\$ 52,130
REF 6-135 RGS Energy	20 projects	\$156,688	\$ 616,385
REF 6-136 Sol Power	3 projects	\$19,980	\$ 64,260
REF 6-137 Newport Solar	18 projects	\$131,844	\$ 516,443
TOTAL	120 projects	\$836,477	\$ 3,197,323

**Attachment 2: Commercial Scale Renewable Energy Project Awards
(Commitments in CY 14)**

Project #/ Applicant	Size in kW	REF Award	Total Development Cost
REF 7-108: CC&C of Middletown, LLC	69.00	\$83,290	\$163,982
REF 7-109: Babida Realty	80.73	\$96,303	\$178,279
REF 7-110: GD Amenity & Leasing	66.00	\$80,100	\$248,000
REF 7-111: Rocky Hill School	33.00	\$32,191	\$138,760
REF 7-112: Church Community Housing	47.70	\$59,525	\$188,930
REF 7-113: St. Rose of Lima School	77.00	\$87,697	\$243,360
REF 7-114: Community Preparatory School	46.00	\$57,500	\$195,500
REF 7-115: Meeting Street School	86.00	\$102,209	\$291,322
REF 7-116: Federal Hill House	46.41	\$57,500	\$195,500
REF 7-117: West Warwick High School Field House	209.00	\$210,850	\$706,420
REF 7-118 West Warwick High School Ice Rink	229.00	\$224,500	\$777,400
REF 7-119: Academy for Little Children	54.00	\$66,900	\$177,918
REF 7-120: Whole Foods Market Group Inc.	252.96	\$236,501	\$632,400
REF 7-121: Daniele Foods	43.2.	\$54,000	\$266,468
REF 7-122: National Marker Company	241.56	\$232,014	\$550,719
REF 7-123: Bouchard Broadcasting	12.00	\$15,000	\$54,000
REF 7-124: Cromwell Ventures LLC	74.24	\$89,164	\$274,524
REF 7-125: Baby Greens Farm	10.08	\$12,600	\$50,664
REF 7-126: Kenneth J. Alves dba West Main Self Storage	77.00	\$92,381	\$275,495
REF 7-127: The Vedanta Society	19.00	\$23,719	\$78,746
REF 7-128: International Sourcing & Marketing	25.00	\$31,500	\$100,800
REF 7-129: Lepore Farm	22.00	\$50,671	\$78,171
REF 7-130: RJB Properties, LLC	48.75	\$60,937	\$141,250
REF 7-131 Hillandale Farm	15.00	\$18,900	\$ 32,130
REF 7-132 Arpin International	104.00	\$121,304	\$275,497
Total # of Projects: 25	1988.63 kW	\$2,197,256	\$6,316,235