



Rhode Island
Economic Development Corporation

Building the 21st Century Innovation Economy

RI Renewable Energy Development Fund

**Prepared by the Rhode Island Economic Development
Corporation**

5 – Year Strategic Plan

Submitted to:

Governor Donald L. Carcieri
RI General Assembly

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5 - Year Strategic Plan
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Attachments: In an effort to save paper, attachments are available at:
<http://www.riedc.com/business-services/renewable-energy>

- A. Select public announcements:
- 9/08/06 *Carcieri Outlines New Plans to Expand Supplies of Renewable Energy in RI*
 - 3/6/08 *Senate Leadership Unveils Renewable Energy Legislative Package*
 - 6/21/08 *Renewable Energy Bills Headed to Governor’s Desk*
 - 9/25/08 *Carcieri Names Deepwater Wind as Developer for Rhode Island’s Off-Shore Wind Farm*
 - 10/16/08 *United Natural Foods, Inc. Announces Plans to Relocate Corporate Headquarters to Providence, RI*
 - 12/18/08 *RIEDC Releases Renewable Energy Fund Application*
 - 1/08/09 *Carcieri Signs Development Agreement with Deepwater Wind for Off-Shore Wind Development*
- B. Program rules and regulations
- C. Program funding application
- D. RI general laws
- S-2852 (as amended)
 - 42-20-8.2
 - 39-2-1.2
 - 39-26-4
 - 23-82-6

Rhode Island Renewable Energy Development Fund

In accordance with RIGL § 28-52¹, the Rhode Island Economic Development Corporation (“the Corporation”), was given the responsibility of establishing and administering the Renewable Energy Development Fund (“the Fund”). The Five-Year Strategic Plan (“the Plan”) presented by the Corporation in accordance with RIGL § 28-52, will seek to fulfill the goals of this legislation and strive to simultaneously be a component of the overall mission of the Corporation *to create a 21st century innovation economy that produces higher wage job opportunities for all Rhode Islanders [and to allow] Rhode Island [to] compete in a global economy where innovation and knowledge are the primary drivers of economic growth.*

This Plan is the first five-year strategic plan for the administration of the Fund. It was developed within the Corporation, and its authors include but are not limited to the Director of the Fund, the Manager of the Fund, the Director of Government Affairs, Policy and Innovation, the (interim) Executive Director, as well as several other key internal parties. The Plan is a working document that will provide overall transparency and accountability of the Corporation’s goals, timeframe and implementation of the Fund’s activities.

The purpose of the Plan shall be to guide the Corporation’s work plan for the Fund to meet its stated goals. The Plan will be upgraded annually and as appropriate, considering the following core components:

- *Integration of local, state and federal policies and programs.* This will allow the Fund to work collaboratively and leverage the resources of other governing bodies, specifically the Rhode Island Office of Energy Resources, pursuant to RIGL § 28-52, and stakeholders with complementary missions and interests.
- *Utilization of diverse renewable energy resources.* Rhode Island has an opportunity leverage its coastal location, natural resources, labor market and other attributes to promote diverse renewable energy projects in the State.
- *Administration of the Fund utilizing a transparent process.* This will allow the Corporation to be open and accountable in the management of the Fund and will be beneficial to the energy industry in the State.

This Plan covers January 1, 2009 – January 1, 2013 and will be followed by a performance and financial report to the Governor and the General Assembly on March 1 of every year which will outline the Corporation’s receipts and expenditures pertaining to the Fund, a list of private consultants engaged by the Fund, a list of staff supported by the Fund, as well as a summary of the Fund’s performance (including accomplishments and shortcomings, project investments, the cost-effectiveness of renewable energy investments by the corporation, and recommendations for improvement.) These goals, plans and procedures shall be adopted by the Executive Director of the Corporation as prescribed in RIGL § 42-20-8.2².

¹ See attachment D

² See attachment D

Introduction

Changing Economy, New Responsibilities

The Governor and the General Assembly have made significant strides in promoting the development of renewable energy. In September of 2006, the Governor announced that the State's commitment to obtaining its energy from renewable sources would increase from its previous goal of 16% by 2019 to 20% by 2014³. In September 2008 the Governor announced *Deepwater Wind* as the preferred developer for Rhode Island's off shore wind farm – a \$1.5 billion project that will produce 1.3 million megawatt hours per year of renewable energy.

The General Assembly has been historically supportive of clean, renewable energy. A number of its members have introduced bills aimed at promoting both small-scale and utility-scale renewable projects. This type of support, from both the Executive and Legislative branches of government is critical in order to further advance renewable energy development in Rhode Island.

It is a critical time for the State as we deal with changes in our local and national economy. These economic conditions are closely tied to energy and energy prices, as volatile energy costs are a reality faced by all Rhode Islanders. In order to prosper in these conditions it is important for the Corporation to be proactive – with a long-term view toward renewable energy development rather than reactive to the short-term fluctuations in unpredictable markets. Investments in renewable energy make sense in both the short and long term. While the Corporation values short-term economic benefits, this plan focuses primarily on a long-term strategic approach towards addressing and capitalizing on opportunities in the following areas:

- **Small business development:** Small to medium sized businesses are the cornerstone of Rhode Island's economy, employing a significant amount of the State's workforce and representing areas of economic growth that fuels our economy. Our small businesses are critical to the State's economic growth and prosperity, and they are the most vulnerable to fluctuating energy prices. However, these businesses also represent one of the greatest opportunities to help develop the renewable energy market in Rhode Island. Our small businesses provide both great demand for renewable technologies, and have the resources, skills and labor force to design, install and manage these projects –across all business sectors. The Corporation believes that through the investment in small businesses, it can promote the development of renewable energy and create a “green sector” Rhode Island's job market.

³ See attachment A

- **The “green” workforce:** Through coordinated investments in renewable energy projects of all types, a green economy will emerge in Rhode Island. This provides the State’s renewable energy auditors, designers, manufacturers, installers, consultants and other “green” professionals with more business opportunities which allow them to gain more expertise in their sector. The Corporation believes that investment in workforce development is equally as important as investment in hard assets and technology. As our schools currently face rising operating costs as well as funding challenges, providing the resources for schools to install renewable energy systems will not only alleviate high energy costs but will provide the opportunity to educate and train the Rhode Island “green” workforce. The Corporation will pay particular attention to the development of educational facilities and training programs that will bolster the “green collar” workforce.
- **Development of “green” affordable housing:** The Corporation intends to promote the development of affordable housing while simultaneously strengthening the renewable energy industry. Providing financial support to affordable housing projects in the short term will make housing more affordable for residents in the long term by decreasing and stabilizing energy costs. Lower, stable energy prices leave more money in tight family budgets.
- **Renewable energy in municipalities and communities:** Municipalities and communities have access to unique projects and sites, as well as the ability to shape local zoning and public policy which can be beneficial to the development of renewable energy. The Corporation intends work with municipalities and communities and to be a financial resource for them as they pursue renewable energy projects.

Investments in the development of renewable energy is sound public policy and in the best interest of the citizens of Rhode Island. The Rhode Island Renewable Energy Fund’s Five-Year Plan is focused on identifying steps that will allow for the development of cost-effective renewable energy and a sustainable market. The Plan provides the guidance and action steps for the Fund that the Corporation will pursue as it invests in cost-effective renewable energy projects in Rhode Island. The Plan focuses on the following areas:

1. *Timeline for year one of the Fund’s administration:* In order to provide an overall framework for the timely adoption of the actions presented by this plan, the Corporation sets forth a timeline for year one of the administration of the Fund.
2. *Fund administration:* Tasked with the responsibility of administering and managing the Fund, the Corporation sets forth its operating plan in order for the Fund to run in an accountable and transparent manner.
3. *Funding sources:* The Corporation sets forth its plan to obtain funding from sources in addition to the payments from Rhode Island’s electricity distribution companies in order to invest a larger amount of capital into

the development of renewable energy, and to allow for diversification of the types of projects funded.

4. *Program Funding:* The Corporation sets forth its criteria for funding, as well as how the process will take place.
5. *Cost-effective sourcing of renewable energy:* The Plan sets the framework for developing standard practices for “cost-effectiveness,” examining the term and its various desired benefits.
6. *Collaboration with renewable energy stakeholders:* The Corporation understands the need for the Fund to establish a network and coalition of renewable energy stakeholders, and sets forth an outline of what this collaboration might look like and what it will accomplish.

1. Timeline for year one of the Fund’s administration

- *January – February 2009:* The Corporation will: consult with the Office of Energy Resources to establish standards for financing renewable energy projects from diverse sources pursuant to RIGL § 28-52; develop and issue the application for funding (Issued by the Corporation: December 18, 2008⁴); assess the current conditions of the renewable energy industry; review the evaluation process for applications for funding in year one; finalize a working agenda for year one; begin collaboration with stakeholders; formulate an investment committee including the Executive Director of the Corporation, the Director of Government Affairs, Policy and Innovation of the Corporation, and the Director of Renewable Energy of the Corporation that will assist in the application review process for year one of this plan.
- *March 2009:* The Corporation will: adopt the agenda set forth in prior months with the approval of the Executive Director of the Corporation; hold early stakeholder meetings; establish a working relationship with Rhode Island Housing for the review and funding of affordable housing applications; submit a performance and financial report to the Governor and the General Assembly on March 1 pursuant to RIGL § 28-52; round one of applications for the municipal and affordable housing programs, as well as for pre-development consultant and technical feasibility studies will be submitted by March 31.
- *April – October 2009:* The Corporation will: begin to implement activities and agreements relating to financing renewable energy projects and will begin to monitor awards; identify any proposed changes to the application or related documents, advise the Executive Director of any recommended changes and hold public meetings if necessary; identify and initiate pursuit of additional funding sources; review and award projects under the Renewable Energy Development Fund as needed through the end of the year.

⁴ See attachment C

- *November 2009:* The Corporation will: monitor the progress of ongoing projects; formally conduct an assessment for the revised plan for 2010; make recommendations to the Executive Director and hold public hearings if necessary.
- *December 2009:* Revised 2010 plan will be adopted by the Executive Director of the Corporation by January 1, 2010.

2. Fund administration

The goal of the Corporation is to ensure that all of the administrative functions of the Fund are executed in a timely, consistent, accurate, transparent and accountable manner. This will be accomplished through the following mechanisms:

- a. *Management of funds:* There are a number of funding sources that are eligible to contribute money into the Fund, and the Corporation expects that funding pool to increase in the future. The Corporation will ensure that the different requirements of each funding source are met and that awards are made in accordance with contributions made by each source.
- b. *Development of rules and regulations:* In order to ensure transparency of the Fund's administration, the Corporation plans to review the existing rules and regulations periodically throughout the five year period as appropriate, taking into account the changing renewable energy industry and varying requests for funding. The Corporation also commits to holding a public comment period as required by the Administrative Procedures Act if Rules changes are necessary, file the final version with the Secretary of State's office and post it on the Corporation's website.
- c. *Development of the application to the Fund:* The most current application to the Fund is available on the Corporation's website, however due to the changing renewable energy environment and lessons learned after every cycle of the application review period, the Corporation will review the application form every 90 days during the five-year period and will issue a revised version of the application on the Corporation's website if appropriate.
- d. *Programs within the Fund:* Through the Rules and Regulations written by the Corporation and pursuant to RIGL § 28-52, the Fund will support projects in the following areas:
 - i Non-Profit Affordable Housing Investment Program
 - ii Municipal Renewable Energy Investment Program
 - iii Pre-development Consultant & Technical Feasibility Program
 - iv Renewable Energy Development Fund

- e. *Approval criteria:* The Corporation will follow the approval criteria as outlined in RIGL § 28-52 and the Rules and Regulations⁵. In an effort to ensure that this criteria is followed, the Corporation will implement a selection system over the five year period, upgraded as appropriate, in order to assure a fair and clear decision-making process.
- f. *Negotiate and manage awards:* In order to make the best use of the funds, the Corporation intends to negotiate the funding, timeline and terms of each project, on a case by case basis - as the Corporation realizes there may be different funding needs for each project. The Corporation will be in communication with awardees in order to agree upon what is appropriate for a thorough and efficient project timeline and performance measures.
- g. *Monitor the effectiveness of the Fund:* The Corporation will monitor the effectiveness of the Fund on an annual basis during the annual review process.
- h. *Monitor state and federal renewable energy policy:* In order to adapt to the changing policies within the state and throughout the country, the Corporation will monitor State and Federal policy making bodies as they relate to the renewable energy industry. This will take place on an ongoing basis, paying particular attention to new state and federal administrations and agendas.
- i. *Establish collaboration with other renewable energy stakeholders:* The Corporation understands that the only way to ensure that the goals of the Fund reflect the real-time market needs of Rhode Island's renewable energy community is to ensure that broad-based coalitions of renewable energy stakeholders are involved in the process. Therefore, the Corporation will comprise a collaborative body over the course of five years and create ways by which to ensure that their perspectives are considered in the review process.
- j. *Develop five-year strategic plans and update them annually:* The Corporation will follow the calendar for the Fund, outlined in RIGL § 28-52. This current five-year plan will be upgraded as appropriate to meet the goals of the legislation, and the Corporation will adopt an annual report of January 1 and submit a performance and financial report to the Governor and General Assembly on March 1 of every year.

3. Funding sources

In accordance with RIGL § 28-52, each electric distribution company includes charges of .3mils per kilowatt-hour which is delivered to fund renewable energy programs. The Fund currently generates an overwhelming majority of capital from this funding source. The Corporation will seek the advice from the Office of Energy Resources in the development of standards and rules for the

⁵ See attachment B

solicitation and award of renewable energy program investment funds pursuant to RIGL § 28-52.

It is the goal of the Corporation to finance projects that are in line with the funding criteria outlined in RIGL § 28-52 and the Fund's Rules and Regulations. Additionally, the Corporation intends to increase the capital available to the Fund by leveraging other existing funding sources, seeking federal funding, attracting private investment and establishing a capital pool.

Integration of public funds: The Corporation has the responsibility to *integrate the management of public funds to promote the expansion and sound development of renewable energy resources* by managing the following sources of funds:

- The electric distribution companies' charges of .3mils per kilowatt-hour which is delivered to fund renewable energy programs as set forth in RIGL § 39-2-1.2⁶
- The renewable energy fund of the renewable energy standard as set forth in RIGL § 39-26-4⁷, Alternative Compliance Payments
- Funds obtained from the sale of allowances under the Regional Greenhouse Gas Initiative to the extent available for renewable energy, as set forth in RIGL § 23-82-6⁸

Prospective additional funding: The Corporation recognizes that the Fund will make a greater impact on the development of Rhode Island-based renewable energy projects if it is capitalized at a larger amount. Having greater resources will allow the Corporation to invest in a greater number of projects and will allow for a diversification of the type of projects supported by the Fund. Additionally, with added funding, the Corporation will be able to leverage financial economies of scale, which increases our ability to deliver cost effective renewable energy to the State.

The Corporation will seek to leverage other sources of financing for the Fund over the next Five Years. Some examples include:

- *Alternative Compliance Payments ("ACP"):* Utility companies can comply with the State's Renewable Energy Standard by either purchasing renewable energy (or Renewable Energy Credits "RECs") or making an Alternative Compliance Payment (ACP) into the Fund. The current published ACP Rate (as published by the RI Public Utilities Commission) is approximately \$59 per megawatt-hour. The current REC price is less than \$59. Because of the price discrepancy between REC and ACP, whenever the REC price is less than the ACP, a utility company would purchase RECs resulting in \$0 ACP funding coming into the Fund. The

⁶ See attachment D

⁷ See attachment D

⁸ See attachment D

Corporation believes there are opportunities to create greater equilibrium between the ACP rate and the current market REC price. This equilibrium would increase the opportunity for ACP payments to come into the Fund, while maintaining a healthy REC market.

- *Regional Greenhouse Gas Initiative (“RGGI”)*: The Fund is eligible to receive funds from the RGGI auction. To date there have been no funds contributed from RGGI to the Fund. The Corporation seeks to work with the Office of Energy Resources and the Department of Environmental Management pursuant to RIGL § 28-52 and other State departments to ensure that we receive a portion of the RGGI proceeds under the eligible use of *cost-effective renewable non-carbon emitting energy technologies*.
- *Other State sources*: The State of Rhode Island, through various departments and quasi-public organizations, offer financial resources and incentives for a wide range of economic development initiatives. Many of these initiatives will overlap with the projects that the Fund finances. Where appropriate, the Corporation will seek to secure, cost share or enter into other agreements and partnerships in order to blend resources to facilitate renewable energy projects.
- *Federal sources*: The federal Government provides critical financing and incentives for renewable energy development. The Corporation will remain current on federal funding opportunities and where applicable, will seek federal support to supplement our activities.
- *Private sources*: In addition to public sources, private funding of projects is critical in the cost effective development of renewable energy. The Corporation is in a position to assist project developers with projects that provide opportunities and the financial returns to attract private investment.
- *Renewable Energy Capital Pool*: The Corporation will seek means to authorize and support a capital pool for the Fund that is sufficient enough to rapidly and significantly develop a wide range of identified, “shovel-ready” renewable energy projects.

4. Program Funding

As of the publication of this document there is currently \$4,127,860 in the Fund. The Corporation will seek the advice from the Office of Energy Resources in the development of standards and rules for the solicitation and award of renewable energy program investment funds pursuant to RIGL § 28-52.

The Fund will finance projects in the following areas and amounts:

Program	Funding Amount
Non-Profit Affordable Housing Investment Program	Lesser of 10% of the Fund, or \$200,000 annually
Municipal Renewable Energy Investment Program	Lesser of 50% of the Fund, or \$1,000,000 annually
Pre-development Consultant and Technical Feasibility Program	Lesser of 10% of the Fund, or \$200,000 annually
Renewable Energy Development Fund	The remaining balance of the Fund

Funding Criteria: The Corporation will fund projects based on the funding criteria that is outlined in the Fund’s Rules and Regulations. The funding criteria was developed and published to ensure that those projects that provide the greatest economic development benefits and will make it to market in a timely manner will receive funding priority from the Corporation. In accordance with RIGL § 28-52, the Corporation will establish by rule in consultation with the Office of Energy Resources, standards for financing renewable energy projects from diverse sources.

5. Cost-effective sourcing of renewable energy

It is the goal of the Corporation to work with renewable energy stakeholders in Rhode Island to establish standard practices for the term “cost-effective” for investments in diverse renewable energy projects. Throughout the Plan, the Rules and Regulations and the enabling pieces of legislation for the Fund, the term “cost-effective” is widely used. In order to be clear and consistent during the application review process, it will be necessary to constantly be aware of the intent of the term and to consider it as a means of achieving varied benefits. These benefits may include but are not limited to:

- Lower carbon emissions
- Diversity of renewable energy technologies
- Lower price per unit of electricity from renewable sources
- Stable price per unit of electricity over a long-term period
- Creation of “green collar” jobs in Rhode Island

The Corporation will establish a consistent way to measure the benefits of cost-effectiveness when reviewing project applications.

6. Collaboration with Renewable Energy Stakeholders

In order to establish a collaborative environment with identified renewable energy stakeholders in the state, the Corporation intends to create a more formal network that fosters the development, financing, education, collaboration, and overall promotion of renewable energy in Rhode Island. This will allow the Corporation to have a professional base that will keep it up to date with the most recent “on-the-ground” happenings in the marketplace, so

that the Corporation will be able to ensure that its plans, goals and objectives reflect “real-time” market conditions.

A centralized networking system for renewable energy stakeholders will be created through a number of public stakeholders’ meetings held over the course of each year, as well as through the creation of a virtual online forum over the next five years. The Corporation will determine where the online forum will exist by the end of year one. Identified partners in this collaborative effort will include but not be limited to renewable energy developers, business and industry leaders, renewable energy entrepreneurs, banking and financing professionals, design professionals, municipalities and affordable housing financiers and developers.

Conclusion

In summary, the demand for renewable energy has never been greater. Homeowners, businesses, municipalities, educational institutions, non-profit organizations and other entities are all seeking ways to “go green” not just for environmental benefits, but because of the long-term economic benefits. Sourcing our energy from renewable sources will among other things spur job and business creation in the short-term and provide for lower stable energy prices in the long-term.

To date, the Fund currently has \$4,127,860 available. 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 that are outlined in this Plan in order to attain the State’s renewable energy goals. Additionally, the Corporation will strive to make policy recommendations to the Governor and the General Assembly when market opportunities arise. This Plan and components of it will be updated on an as-needed basis, and the Corporation will ensure that any changes are effectively communicated to the Governor, the General Assembly and the public.