



Rhode Island
Economic Development Corporation

Building the 21st Century Innovation Economy

RI Renewable Energy Fund

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RI Renewable Energy: 2011 Legislative Landscape

Public/Private Stakeholder Lead Initiative

RI's renewable energy legislation was driven by public/private stakeholder groups:

Public Interest:

- 2010: General Assembly created “Rhode Island Small Business Renewable Energy Task Force”
- Addressed the discrepancy between RI being a leader in Efficiency, but a laggard in Renewables
- Task force comprised of stakeholders from
 - Small Business
 - State Government
 - Academia
 - National Grid
 - Other varied stakeholders

Private Interest:

- Concurrently, a separate, informal committee of stakeholders formed, seeking out means to rapidly expand renewable energy project development in RI.
- Also sought to address the “laggard” status of RI's renewable energy economy
- Committee was made up of:
 - Private renewable energy developers
 - State Government
 - Professional service providers
 - Other interested parties

RI Renewable Energy: 2011 Legislative Results

5 Key Legislative Passages

This public/private process resulted in 5 new pieces of legislation:

1. Renewable Energy Fund (“REF”): Extended 10 Years

- REF has been the state’s sole provider of funding.
- REF focuses on job creation, business attraction and development

2. Net Metering: Laws strengthened and clarified

- Legal challenges to existing projects halted new development
- Legislation clarifies these while strengthening public-private projects

3. Interconnection: New requirement for utility to expedite the interconnection process

- RI experienced significant delays in the feasibility and interconnection process
- New law requires National Grid to have dedicated staff and complete feasibility and impact studies within 30 and 90 days, respectively

4. “Renewable Energy Coordinating Board”: New state program oversight implemented

- Board will oversee coordination of State’s renewable energy efforts
- Modeled after the Energy Efficiency Resource Management Council

5. “Distributed Generation Standard Contracts”: Long term contracts for small projects

- Requires 15-year contracts for energy, capacity and RECs.
- Contracts are standard with pricing fixed over the life

RI Renewable Energy: 2011 Legislative Results

Distributed Generation Standard Contracts

“DGSC”

While a comprehensive set of policies were approved; DGSC has gotten the most attention

Distributed Generation Standard Contracts (“DGSC”)

Requirement for the state’s utility to enter into 15 year standard contracts, for the purchase of energy, capacity and RECs, with owners of distributed generation systems.

- A carve out from existing Long Term Contract legislation
- Will support 40 mW (nameplate) in its initial 3-4 year roll out
- Targeted to distributed projects under 5 mW
- Supports varied electricity producing renewables (ex: solar, wind, hydro, etc.)
- Varied technologies (ex: solar, wind) and class sizes (ex: small, large) will be targeted for support
- State appointed DGSC board shall govern:
 - Technologies and classes eligible for DGSC (adjusted periodically)
 - Contract Pricing and Documents (adjusted periodically)
 - Final Pricing/Contracts approved by Public Utilities Commission

Distributed Generation Standard Contracts 2011 Program

DGSC was implemented swiftly, with the a first solicitation closing on 12/31/11.

Below is a summary of the technologies, classes and pricing prescribed for 2011.

- The 2011 program was targeted to support 5mW of projects
- The 2011 program received over 11mW of applications
- All 5mW have been contracted
- To date, same technologies, classes and prices will apply for the 2012 program (15 mW total)

2011 Class Nameplate	2011 Target (kW) Nameplate	2011 Ceiling Price (cents/kWh)
Solar-PV (10-150 kW)	0.5 MW	33.35
Solar-PV (151-500 kW)	1.0 MW	31.60
Solar-PV (501-5000 kW)	2.0 MW	28.95
Wind (1.5 MW)	1.5 MW	13.35

Distributed Generation Standard Contracts Program Economics

DGSC pricing and contracts were developed to achieve two main objectives:

- 1.To establish a price that is attractive enough to entice project development**
- 2.To ensure contracting was a simple and streamlined process**

DGSC Economics - Assumptions:

- Pricing incorporated CREST model, developed by Sustainable Energy Advantage (consultant)
- Model was further refined with the input of stakeholders, to reflect local and current conditions.
- Input factors include:
 - Development costs, including permitting, interconnection, soft costs, etc.
 - Operations and Maintenance
 - Electricity (revenue) production estimates
 - Impact of availability of other (ex: Federal) incentives
 - Capital availability (model assumed debt capital at 14 years, 6.5%)

DGSC Economics - Results:

- Capital Structure:
 - Debt: 44% - 46%
 - Equity: 54% - 56%
- Simple Payback: 3 – 4 Years
- IRR on Equity (project life): 13% - 15%

Distributed Generation Standard Contracts Program Value

DGSC seeks to provide value to both public policy and private developer

DGSC Public Value: Periodic Review of the program

With periodic review of eligible classes, technology, price and contracts, DGSC will:

- Respond to market needs/demands more effectively
- Adjust prices accordingly to ensure they are not too high/low
- Allows program to be more in sync with state's renewable energy strategic goals
- Minimizes ratepayer impact.

DGSC Private Value: Clear, consistent, long-term contracts

- Long-term contracts, with fixed terms are attractive (and appropriate) for project financing
- Standardized contracts reduces developer risk and expenses
- Diversification in eligible technologies opens DGSC to more than just solar (wind, hydro, etc.)

Distributed Generation Standard Contracts (and general Renewable Energy) Outlook

Distributed Generation Standard Contracts:

- Will continue to be over-subscribed
- Net DGSC prices will go down
 - Downward price pressure on “large” categories
 - Flat price pressure on “small” categories
- 40 mW cap to be reached (and developed) sooner than originally anticipated
- A range of technologies – solar, wind and hydro will be developed
- Will be a renewed (and favorable) push to increase the size of the program

RI Renewable Energy Fund (Program)

- Renewable Energy Coordinating Board will strengthen the state’s collective efforts
- Renewable Energy Fund will diversify its “eligibility” definition
 - Currently only “electricity-producing” technologies are eligible
 - Expect the REF to move toward a “Clean Energy Fund”
- The Fund will focus more and more on market innovation, business development, job creation
- The success of two programs (DGSC and REF) and coordinated approach will lead to increased funding into this program area.

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