Benefit-Cost Analysis

for the Rules and Regulations for Implementation of the
Clean Energy Fund
R.I.G.L. § 22-12-1.1

830-RICR-10-05-3

PROGRAM INTENT AND GOAL

The Clean Energy Fund ("CEF") is a competitive financial assistance program providing loans and grants for capital funds for municipalities, other public entities, corporations, and individuals to finance improvements for clean energy related infrastructure projects. The overall goal is to support projects that can reduce or eliminate greenhouse gas emissions through the implementation of zero-emissions technology, clean transportation, clean heating, energy storage, energy efficiency, renewable energy, and more.

DESCRIPTION OF ELIGIBLE APPLICANTS AS AUTHORIZED BY THE RULES

CEF will be administered by the Bank. "Applicant" or "Borrower" means any local governmental unit, corporation, or person, each as defined within R.I. Gen. Laws § 46-12.2-2.

DESCRIPTION OF ELIGIBLE PROJECTS AS AUTHORIZED BY THE RULES

"Clean energy related infrastructure project" or "Project" means any project identified within R.I. Gen. Laws §46-12.4.3(a)(1), including but not limited to, those related to greenhouse gas reduction or elimination, zero-emission technology, clean transportation, clean heating, energy storage, energy efficiency, renewable energy, and demand-side management.

1. **Application**

   Requests for financing should be submitted in writing by the Chief Executive Officer or other authorized officer of the Borrower to the Executive Director of the Bank. The written request should generally include:

   1. A description of the project(s) to be financed with the projected construction and completion schedule. In the case of a refinancing, a description of the completed project and the terms and source of previous financing.
   2. For loans, a description of the source of repayment, i.e., general revenues of the Borrower or other source of revenue acceptable to the Bank; appropriations pledge; or other dedicated source revenue of the Borrower.
   3. A description of the overall operations of the Borrower, including but not limited to the most recent annual report or audited financials, with an emphasis on:
   a. Legal structure;

b. Management;
c. Sources of revenues;
d. Operating expenses;
e. Operating surpluses or deficits;
f. Actual results versus budget;
g. Sources of financial liquidity.
4. Legal authority or authorities to construct, finance and operate the project.
5. The past five years Audited Financial Statements in accordance with Generally Accepted Government Accounting Standards.
6. Financial and demographic information.
7. Such other information as the Bank may reasonably require.

If the Board approves the application, a commitment letter will be issued to the Borrower for their acceptance, outlining the terms and conditions of the loan or grant.

ASSESSMENT OF COSTS AND BENEFITS TO THE STATE OF RHODE ISLAND

Duration of Costs and Benefits

The CEF is a new program at the Bank. Clean Energy Fund loans and grants for the construction of emissions-reducing infrastructure projects are awarded on a rolling basis, subject to available funds. The benefits of the resulting capital projects are inherently designed to be long-lasting to indefinite, as more sustainable projects are selected for the CEF application process.

Costs and Benefits to Applicants

About the Applicants

Applications for Clean Energy Fund awards are currently open for any local governmental unit, corporation, or person (each as defined within R.I. Gen. Laws § 46-12.2-2).

Application & Agreement Requirements

No application fee is required. The CEF application requires a project summary, as well as a project narrative that discusses the problem the project will address; the need for assistance; the project description; timeline; project management and partners; and proposal resources. The applicants are also required to attach a budget.

The Bureau of Labor Statistics reports that the median hourly wage for Urban and Regional Planners in Rhode Island is $36.96. This suggests the cost of the application, for applicants, is $332.64 per project.

Applicants who are awarded will be required to enter into a loan or grant agreement with the Bank. This agreement will require from awardees a brief scope of work, payments and reports schedule, budget detail, statement of match, and statement of maintenance to match statements made in the proposal document. Costs to applicants include staff time needed for the application process (6-9 hours), staff time needed for loan or grant agreement finalization (5 hours), staff time for reporting (4 hours), and staff time for submission of requisition document (4 hours). Given the Bureau of Labor Statistics reports that the median hourly wage for Urban and Regional Planners in Rhode Island is $36.96, this suggests

the cost of staff time for the CEF process is $813.12 per applicant (maximum). No costs will be borne by any non-participant in the CEF.

Project Eligibility & Scoring Criteria

For each proposal submitted, applicants must follow criteria for project eligibility as laid out in the Request for Proposals issued by the Bank. Each proposed project is scored on a wide range of criteria, including timeline and budget, proposed greenhouse gas emissions reduced, economic development potential, leveraged private investment, and proposal quality. These eligibility requirements and scoring criteria bring several benefits, including directing awards towards projects that respond to greenhouse gas reduction opportunities and will be long lasting.

Match Requirement

Match funds are not required.

Reporting & Requisition

Loans

Borrowers will be required to provide information to the Bank during the life of the loan including, but not limited to, the following:

1. A copy of its financial statements in a form acceptable to the Bank.

2. An annual analysis of Operating Revenues and Expenses with an emphasis on the status of the dedicated revenues and/or general revenues securing the Borrower Bond and operating expenses in excess of budget, annually within nine (9) months of the end of fiscal year if the Borrower Bond is not a general obligation Bond. If the Borrower Bond is a general obligation bond, paid from ad valorem taxes, unless included as part of the annual budget, an analysis of Borrower operating revenues and expenses and a comparison for the respective period, annually within nine (9) months of the end of the fiscal year.

3. A copy of the annual budget of the Borrower, within fifteen (15) days of its adoption, if applicable.

4. An annual schedule of current and projected short-term and long-term debt service.

5. Copies of reports submitted to any other regulatory agency relating to the clean energy related infrastructure Project(s) financed.

6. During the construction period, an accounting of the monthly disbursements relating to the Project.

7. Other information or reports as and when the Bank may reasonably require.

Grants

Grant recipients will be required to provide the Bank with information and reports as reasonably required by the Bank during the term of the Grant Agreement.

Benefits to Participants

Participants that are awarded financial assistance under the CEF will be able to fund projects that otherwise may not have been feasible under their current budgetary or financial conditions.

Benefits to the State of Rhode Island and Others

The overall goal of the CEF is to support projects that can reduce or eliminate greenhouse gas emissions.

In doing so, the Bank will provide the state with:

- Efficient administration of a loan and/or grant program which provides funding for reducing greenhouse gas emissions;
- Projects that address statewide economic development priorities; and
- Create job opportunities for Rhode Island residents.

All of the above items are considered benefits to the State of Rhode Island as a whole.

The Bank has determined that these benefits, and those mentioned in previous sections, justify the costs of the proposed regulation, and that the proposed regulation will achieve the objectives of the authorizing statute in a more cost-effective manner, or with greater net benefits, than other regulatory alternatives.

Alternatives Considered

When drafting the Regulations for the CEF, the Bank considered, but did not include several alternatives.

In Section 3.7, the Bank considered alternative monitoring requirements, including an increased frequency of reporting, and adding additional categories. However, since these requirements are consistent with other programs offered by the Bank, they would best ensure compliance by participants and increase efficiencies in Bank operations.

In Section 3.10, the Bank considered alternative terms and conditions for Loans under the CEF. These included changes to fees and interest calculations. However, since the terms and conditions are consistent with other programs offered by the Bank, they would best allow for participants and the Bank to more efficiently enter into Loan Agreements.

In Section 3.11, the Bank considered alternative reporting requirements, including an increased frequency of reporting and adding additional categories. However, since these requirements are consistent with other programs offered by the Bank, they would best ensure compliance by participants and increase efficiencies in Bank operations.