830-RICR-10-05-3

TITLE 830 – INFRASTRUCTURE BANK

CHAPTER 10 – PROGRAMS

SUBCHAPTER 05 - ENERGY

PART 3 – CLEAN ENERGY FUND POLICIES AND PROCEDURES

3.1 Purpose and Scope

A. The within Policies and Procedures of Rhode Island Infrastructure Bank (the "Bank") have been established to govern the provision of financial assistance from the Clean Energy Fund ("CEF") to applicants for clean energy related infrastructure projects.

3.2 Authority

These rules and regulations are promulgated pursuant to the authority provided by R.I. Gen. Laws § 46-12.2-4 and R.I. Gen. Laws § 46-12.2-4.3.

3.3 Definitions

A. Except as otherwise defined herein, the words and phrases used within this Part shall have the same meaning as the words and phrases in R.I. Gen Laws § 46-12.2-2, as amended.

B. For the purposes of this Part, the following terms are defined as follows:

1. "Applicant" or "Borrower" means any local governmental unit, corporation, or person, each as defined within R.I. Gen. Laws § 46-12.2-2.

2. "Clean energy related infrastructure project" or "Project" means any project identified within R.I. Gen. Laws § 46-12.2-4.3, 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.

3. "Executive Director" means the Executive Director of Rhode Island Infrastructure Bank or his or her designee(s).

3.4 Financial Assistance

A. Financial assistance may include grants, loans, below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible Projects. The amount of subsidy, if any, shall be determined by

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the Bank. At the discretion of the Bank, financially distressed Borrowers may receive financial assistance with a higher amount of additional subsidy as long as the terms of the financial assistance do not have an adverse financial effect on other participants in the CEF, bond holders; other creditors of the Bank; or the finances of the Bank.

B. Requests for financial assistance shall be submitted in writing by an authorized officer of the Applicant to the Executive Director pursuant to the applicable requirements of this Part.

3.5 Eligible Project Categories

A. The following categories of Projects will be considered either alone or in combination:

1. Greenhouse gas reduction or elimination;

2. Zero-emission technology;

3. Clean transportation;

4. Clean heating;

5. Energy storage;

6. Energy efficiency;

7. Renewable energy;

8. Demand-side management; or

9. Other categories of projects within R.I. Gen. Laws § 46-12.2-4.3 or as otherwise identified by the Bank.

3.6 Grant Application & Review

A. A grant application may include but not be limited to:

1. A concise summary identification of the Applicant and the proposed Project.

2. Information about the Project including a description of:

   a. How the Project will address at least one of the categories within § 3.5 of this Part; and

   b. Any matching funds the Applicant intends to commit to the Project.

3. A proposed Project schedule and budget.

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4. Any additional information that the Bank may require.

3.7 Grant Terms and Conditions and Reporting Requirements

A. The terms and conditions and reporting requirements for grants from the CEF will be established by the Bank and set forth in a grant agreement.

B. Construction Progress Payments

1. Progress payments for each construction Project will be made through a construction fund established for the CEF Program. Grant proceeds will be transferred monthly from the construction fund for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Forms and all associated Requisition Documentation, the Bank will verify:

   a. That the costs requisitioned for payment are in connection with the approved clean energy related infrastructure Project(s);

   b. The vendor is identified in the contract; and

   c. There is sufficient availability of funds approved for the Project to make the payment.

2. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank.

3. The Bank or its designee may perform periodic Project inspections to:

   a. Monitor construction progress;

   b. Verify eligibility of construction cost under the CEF; and

   c. Ensure construction is in conformity with plans and specifications.

4. The Bank or its designee may perform a final Project inspection before the final payment is made by the Bank.

C. Applicants awarded grants from the CEF shall provide the Bank with information or reports that it may reasonably require during the period of the grant agreement.

3.8 Loan Application

A. A loan application may include but not be limited to:

1. A description of the Project(s) to be financed with the projected construction and completion schedule. In the case of a refinancing, a

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description of the completed Project and the terms and source of previous financing.

2. How the Project will address at least one of the categories within § 3.5 of this Part.

3. A description of the source of repayment, i.e., general revenues of the Borrower or other source of funds acceptable to the Bank including but not limited to an appropriations pledge.

4. A description of the overall operations of the Borrower, including but not limited to the most recent annual report and audited financials, with an emphasis on:

   a. Legal structure;

   b. Management;

   c. Sources of revenues;

   d. Operating expenses;

   e. Operating surpluses or deficits; and

   f. Sources of financial liquidity.

5. Legal authority or authorities to construct, finance, and operate the Project.

6. Financial statements in a form acceptable to the Bank.

7. Financial and demographic information.

8. Such other information as the Bank may reasonably require.

3.9 Loan Approval Process

A. Loan approvals are subject to the following terms:

1. That the loan complies with all applicable federal, state and Bank laws, rules and regulations;

2. That the loan and debt service requirements be approved by any applicable regulatory agency;

3. That a satisfactory loan agreement be signed by all parties to the transaction; and

4. That the loan will be made subject to availability of funds.

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B. The Bank will conduct a financial analysis for each loan application which may include, but not be limited to:

1. Sources of revenue and financial liquidity;

2. Historical and projected financial operating results;

3. Present and future debt service requirements;

4. Impact of dedicated user fees and/or general revenues;

5. Cost of the Project and completion schedule;

6. Socioeconomic conditions and trends;

7. Management qualifications and experience;

8. Effects of legal structure and any regulator control; and

9. Any other information that the Bank may require.

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

3.10 Loan Terms and Conditions

A. Loans approved under the CEF may be subject to the following terms and conditions that include but are not limited to:

1. Interest/Pricing: Financial assistance may include below market interest rates, interest rate subsidies or other credit enhancements which reduce the cost of financing eligible Projects. The amount of additional subsidy, if any, shall be determined by the Bank. At the discretion of the Bank, financially distressed Borrowers may receive financial assistance with a higher amount of additional subsidy as long as the terms of the financial assistance do not have an adverse financial effect on other participants in the CEF, bond holders; other creditors of the Bank; or the finances of the Bank.

   a. Interest, if any, is to be calculated on the basis of a three hundred and sixty (360) day year and twelve (12) thirty (30) day months on the outstanding loan balance, and at the Bank's discretion, paid semi-annually on March 1st and September 1st, and may be capitalized during construction.

2. Fees: The Bank may charge an Origination Fee of up to one percent (1.0%) of the principal amount of the loan at closing. All out of pocket closing costs, i.e., Borrowers cost of issuance, Bank cost of issuance,

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Bank underwriting costs, and any other closing costs, will be paid by the Borrower(s). The Bank may also charge an annual Service Fee of up to three-tenths of one percent (0.3%) of the outstanding principal payable semi-annually at each interest payment date. A late payment fee will be charged for every fifteen (15) days that a payment is late of five percent (5.0%) of the amount of the payment.

3. Amortization: Amortization will begin within one year after completion of construction and one year after closing for a refinancing. Principal payments will be made annually on September 1st and the schedule of payments will be structured to meet the debt service and financial assistance needs of the Borrower.

4. Term/Final Maturity: The length of the term of financial assistance awarded shall be determined by the Bank in consultation with the Borrower. The useful life of the Project(s) shall, among other factors, determine the length of the term of the financial assistance. For applications with multiple Projects with varying lengths of useful life, a blended useful life calculation may be utilized.

5. Prepayments: The loan may be prepaid by the Borrower at any time but may be subject to a prepayment penalty based on the cost of reinvesting the prepayment, the cost of prepaying outstanding bonds of the Bank or any other negative financial impact to the Bank.

6. Security: Each Project funded through the CEF will have a pledge of:

   a. An appropriations pledge;

   b. General revenues; or

   c. May be secured by any other assets or pledges of the Borrower and upon such other terms and conditions as the Bank deems appropriate to protect the interests of the other participants in the CEF; bondholders; other creditors of the Bank; or the finances of the Bank.

7. Construction Progress Payments:

   a. Progress payments for each construction Project will be made through a fund established for the CEF. Loan proceeds will be transferred monthly from the construction fund for each Borrower based upon approved Requisition Forms submitted to the Bank. Upon receipt of the Requisition Forms and all associated Requisition Documentation, the Bank will verify:

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(1) That the costs requisitioned for payment are in connection with the approved clean energy related infrastructure Project(s);

(2) The vendor is identified in the contract; and

(3) There is sufficient availability of funds approved for the Project to make the payment.

b. Payments will be made directly to the vendor and/or the Borrower for reimbursements by the Bank.

c. The Bank or its designee may perform periodic Project inspections to:

(1) Monitor construction progress;

(2) Verify eligibility of construction cost under the CEF; or

(3) Ensure construction is in conformity with plans and specifications.

d. The Bank or its designee may perform a final Project inspection before the final payment is made by the Bank.

3.11 Loan Reporting Requirements

A. 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.

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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.

3.12 Compliance with Federal, State and Local Law

The Applicant must comply with all applicable federal, state and local laws and regulations.

3.13 Modifications

Where deemed appropriate by the Bank, waiver, or variation of any provisions herein may be made or additional requirements may be added.

3.14 Severability

If any provision of this Part or the application thereof to any local governmental unit, person, or corporation is held invalid by a court of competent jurisdiction, the remainder of this Part shall not be affected thereby. The invalidity of any section or sections or parts of any section or sections shall not affect the validity of the remainder of this Part.

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