



Vermont Clean Energy Development Fund

***FY 2009
Program Plan
and Budget***

August 2008

PURPOSE OF THE ANNUAL PROGRAM PLAN

The purpose of the Annual Program Plan is to identify the financing initiatives and programs that the Fund will pursue in the coming year, and establish target dollar allocations for the initiatives. The Investment Committee reserves the right to reallocate funding within budget categories based on program needs and activities as outlined in 10 V.S.A. § 6523. A comprehensive review of the Vermont Clean Energy Development Fund's Strategic Plan will be undertaken in the fall of calendar year 2008 and will include solicitation of public comment.

ESTABLISHMENT OF THE FUND

In 2005, the Vermont General Assembly established the Vermont Clean Energy Development Fund through Act 74 (10 V.S.A. § 6523). The Act specifies that the Vermont Clean Energy Development Fund will be established and funded through proceeds due to the state under the terms of two Memoranda of Understanding between the Vermont Department of Public Service (DPS) and Entergy Nuclear VT and Entergy Nuclear Operations, Inc., and by any other monies that may be appropriated to or deposited into the Fund. The CEDF will receive payments from Entergy through 2012.

MANAGEMENT & GOVERNANCE

Department of Public Service (DPS) Administration

In accordance with 10 V.S.A. § 6523, the CEDF shall be administered by the DPS. The DPS has extensive experience with issuing proposal solicitations and administering contracts and grants. The DPS also works with Vermont's ratepayers, power suppliers, and other stakeholders and interested parties on a regular basis. A Fund Manager hired by the DPS manages day-to-day operation of the Fund.

Advisory Committee

The role of the Advisory Committee is to review the strategic plan and the annual program plan and operating budget. The Advisory Committee will also appoint the Investment Committee members. As defined in 10 V.S.A. § 6523, the Advisory Committee will consist of the Commissioner of Public Service or a designee, and the Chairs of the House and Senate Committees on Natural Resources and Energy or their designees.

Investment Committee

The Investment Committee reviews and approves the CEDF plans, budget and program designs. The Investment Committee assists the Fund Manager and the DPS

Commissioner in the review of grants and investments; determining the viability of a project, company, product or service; and evaluating marketing and business plans. As defined in 10 V.S.A § 6523, the Investment Committee consists of seven persons appointed by the Advisory Committee.

GOALS AND OBJECTIVES

Goals

The goal of the Fund is to increase the development and deployment of cost-effective and environmentally sustainable electric power resources – primarily with respect to renewable energy resources, and the use of combined heat and power technologies - in Vermont. The Fund shall be managed to promote:

- The increased use of renewably produced electrical, thermal energy, and combined heat and power technologies in the state;
- The growth of the renewable energy-provider and combined heat and power industries in the state;
- The creation of additional employment opportunities and other economic development benefits in the state through the increased use of renewable energy and combined heat and power technologies;
- The stimulation of increased public and private sector investment in renewable energy and combined heat and power related enterprises, institutions, and projects in the state.

Objectives

- Increase the installation of renewable energy systems for homes, businesses, farms, and public buildings.
- Increase the amount of combined heat and power (CHP) systems in the state.
- Facilitate clean energy distributed generation that enhances grid stability.
- Facilitate and support efforts by Vermont communities to develop small-scale renewable energy projects.
- Help developers secure project financing for construction of eligible renewable energy generating facilities and support pre-development activity.
- Continued growth of clean energy related businesses and industry in Vermont.

- Provide financial and technical assistance for the design, development, and commercialization of clean energy technologies and products.

GUIDING PRINCIPLES

- Support diversified portfolio of clean energy technologies that will benefit ratepayers and municipalities; leverage private and public investment; and have positive impacts in terms of economic development, additional employment opportunities, and environmental attributes.
- Allow for sufficient risk taking in fund use to stimulate development of clean energy products, businesses, and market initiatives by investing the funds through grants, loans, and equity investments in the most appropriate fashion for each project to maximize the mission related public benefit return over the life of the Fund.
- Seek to remove market barriers related to the development and deployment of renewable energy and combined heat and power technologies in Vermont through the support of transformational technology, market and cultural developments.
- Ensure maximum value from the CEDF by supporting initiatives and activities that are reliable, cost effective (or reasonably likely to become cost effective), and utilize commercialized or nearly commercialized technologies.
- Pursue geographic distribution of projects throughout the state consistent with system needs, while providing citizens the maximum exposure to alternative generation opportunities.
- Pursue organizational development that results in the least administrative cost to maximize funds for direct investment.
- Participate in projects in which the funds will make a meaningful difference.

FY 2009 CLEAN ENERGY DEVELOPMENT FUND ANNUAL PROGRAM PLAN

LOAN PROGRAM

The CEDF loan program will fund a wide variety of clean and/or renewable electric energy technologies, including but not limited to the following: solar photovoltaic, wind energy, farm, landfill and sewer methane recovery, combined, heat, & power (CHP) systems, and hydroelectric systems. All electric generation projects must be grid-

connected. CEDF will make loans that meet the Fund's objectives and advance the overall goals of the Fund as more specifically set forth in 10 V.S.A § 6523 and the CEDF Strategic Plan in the section entitled "Potential Funding Areas."

The amount for funds for these loans will be up to \$5,926,741 in FY 2009.

Loan applications for this program will be accepted the first Thursday of each month.

Eligible Borrowers

Individuals, sole proprietorships, partnerships, limited liability companies, corporations, non-profit corporations, Subchapter S corporations, municipalities, and foreign corporations with Vermont subsidiaries/affiliates.

Borrowing Limitations

- Loans cannot be used for more than 90% of the cost of a project.
- Minimum loan: \$50,000
- Maximum loan: \$1,000,000

Use of Funds

Funds can be used for the following:

- Purchasing land and buildings (when specific to project)
- Purchasing and installing machinery and equipment
- Working capital

All financing must be used for activities or assets directly related to the project. Permitting activities as part of a project funding package will be considered.

Loan Rates & Terms

- Interest rate fixed at 2%
- Term for real estate loans is 10 years, amortized on a 15-year basis
- Term for machinery and equipment loans is a maximum of 7 years
- Term for working capital loans is 3 years

Fees

- Borrowers must pay an application fee of 1% on the loan amount, which is capped at \$1,500, once the loan is approved.
- Borrowers are responsible for paying all closing costs.
- Standard terms apply.
- Terms may be adjusted to match the life of the asset being financed.

Application Process

1. Contact DPS for application form.
2. Applications are due by the first Thursday of every month.
3. Investment Committee reviews applications and will either send applications on for underwriting or will reject application.
4. Underwriting is performed by the VT Economic Development Authority (VEDA).
5. Final approval or denial of loans by the Investment Committee.

GRANT PROGRAM

The CEDF will be offering two grant solicitations.

Funding amounts for these two grant offers will be up to \$2,000,000 each for a total of \$4,000,000 in FY 2009.

Grant Solicitation Timeline		
	Grant RFP # 1	Grant RFP # 2
RFP issued	01/16/2009	07/14/2009
Proposals due	03/01/2009	9/01/2009
Grant awards announced	04/01/2009	10/02/2009

Project Categories for Grant Solicitation

Pre-Project Financial Assistance

This category includes feasibility studies and pre-development activities to develop new renewable energy generation facilities and combined heat and power systems, which may require high-risk, early-stage activities and for those projects that do not have the resources to finance pre-project activities. Projects under this category may include: renewable energy resource assessments; site assessments; environmental impact and regulatory analysis; permitting activities; technical and engineering feasibility studies; engineering designs; and economic and financial feasibility studies. Other similar projects not specifically listed above will also be considered.

Grant awards are currently being made for amounts of up to \$25,000 and require a 20% cash match. Projects should be completed within 6 months of award.

Small-Scale Systems

This category includes the installation of micro-CHP systems, micro-turbines, or fuel cells at residential or small commercial buildings. Renewable energy systems totaling no more than 15 kW of capacity per installation such as micro-hydroelectric are also eligible. All electric generation projects must be grid-connected. Other similar type systems not specifically listed above will also be considered. Solar electric, solar hot water and small-scale wind systems are not eligible for funding under this category as incentives are currently available under the Vermont Small Scale Renewable Energy Incentive Program for these types of systems. No more than 10% of CEDF funding under the Small-Scale Systems category can be used for permitting activities. Proposals must result in the construction of a project by the end of the grant award period.

The maximum grant award for this category is \$60,000 and requires a 50% match, no more than 25% of which can be in-kind match. Projects must be completed within 2 years of award.

Large-Scale Systems

This category includes renewable energy and combined heat and power projects greater than 15 kW in capacity located at commercial, industrial, institutional, and public facilities. Renewable energy projects may include but are not limited to: solar electric; farm, landfill and sewer methane recovery; low emission, advanced biomass electric power generation; and wind. This may include utility-scale installations. All electric generation projects must be grid-connected. The installation of microturbines and fuel cells at large commercial or industrial buildings is also eligible. No more than 10% of CEDF funding under the Small-Scale Systems category can be used for permitting

activities. Proposals must result in the construction of a project by the end of the grant award period.

The maximum grant award for this category is \$250,000 and requires a 50% match, no more than 25% of which can be in-kind match. Projects should be completed within 2 years of award.

Special Demonstration Projects

This category includes projects that demonstrate and facilitate the development and commercialization of innovative renewable energy products, technologies, technology applications, and processes. All electric generation projects must be grid-connected. These projects must be designed to focus on market building and technology deployment strategies as opposed to traditional research and development activities. Projects should also include the following: a technical and economic analysis of the technology application or demonstration; expected project impact on the near-term commercialization of this technology; and dissemination of project information to potential users of the technology. No more than 10% of CEDF funding under the Small-Scale Systems category can be used for permitting activities. Proposals must result in the construction of a project by the end of the grant award period.

The maximum grant award for this category is \$250,000 and requires a 50% match, no more than 25% of which can be in-kind match. Projects should be completed within 2 years of award.

TECHNICAL ASSISTANCE PROGRAM

The CEDF offers technical assistance grants to Municipalities, Public Schools, and Vermont State Colleges. The CEDF Investment Committee is currently considering expanding availability of these grants to other entities.

Funding amounts for these grants will be up to \$50,000 for 2009.

Grants requests for this program will be accepted the first Thursday of each month.

The maximum grant award for this category is \$5,000 and requires a 10% cash match.

The grants under this technical assistance program are limited to one grant per applicant per year.

Eligible categories for the technical assistance grants are:

- Assistance in evaluating site(s) for potential use of grid-connected clean and/or renewable electric energy technologies

- Assistance in developing and/or permitting grid-connected clean and/or renewable electric energy generation projects
- Assistance in preparing funding proposals for grid-connected clean and/or renewable electric energy generation projects
- Assistance in developing bid specifications to prepare RFPs when seeking cost proposals for grid-connected clean and/or renewable electric energy generation projects

VERMONT SMALL-SCALE RENEWABLE ENERGY INCENTIVE PROGRAM

The CEDF has budgeted \$750,000 for the Vermont Small-Scale Renewable Energy Incentive Program in FY 2009. The program will be continually assessed to ensure stable and continued funding and will be responsive to market conditions.

The Vermont Small-Scale Renewable Energy Incentive Program has budgeted incentive payments for grid connected and net metered solar PV and wind systems, solar hot water systems, and small-scale hydropower systems.

Current Incentive Levels

Solar Electric

- \$1.75/Watt for individuals and businesses
- \$3.50/Watt incentive for multi-family low-income housing projects

Solar Hot Water

- \$1.75/100 Btu/day for individuals and businesses
- \$3.50/100 Btu/day incentive for multi-family low-income housing projects

Wind

- \$2.50/Watt for individuals and business (\$4.00/Watt for Vermont-made components)
- \$4.50/Watt for schools, farms and local/state governments

Hydroelectric

Incentive levels have not yet been determined

The Vermont Small-Scale Renewable Energy Incentive Program is currently administrated by the Renewable Energy Resource Center. Additional information on the program is available at: www.erc-vt.org or by calling 877-888-7372.

EQUITY AND NEAR-EQUITY INVESTMENT PROGRAM

The CEDF will consider equity and near-equity investments (e.g. royalty financing) on a case-by-case basis for relevant projects in all stages of development, including permitting. The CEDF will only co-invest with a qualified and established lead investor, in amounts from \$50,000 to \$500,000, up to 30% of an offering.

The CEDF will consider investments under this program in projects or companies that meet the Fund’s objectives and advance the overall goals of the Fund as more specifically set forth in 10 V.S.A § 6523 and the CEDF Strategic Plan in the section entitled “Potential Funding Areas”.

The amount of funds available for this program is \$500,000 in FY 2009.

FY 2009 CLEAN ENERGY DEVELOPMENT FUND BUDGET

Vermont Clean Energy Development Fund 2009 Fiscal Year (July 1, 2008 to June 30, 2009) Budget		
Total Funds Available		\$ 11,907,717
Use of Funds¹		
Grant Program	\$4,000,000	
Technical Assistance Program	\$50,000	
Small-Scale RE Incentive Program	\$750,000	
Loan Program	\$5,926,741	
Equity Investment Program	\$500,000	
DPS Administration Costs	\$260,976	
Dept. of Agriculture Economic Development	\$300,000	
Economic Stimulus	\$120,000	\$11,907,717
Carry Forward to FY 2009		<u><u>\$ -</u></u>

¹The Investment Committee reserves the right to reallocate funding within budget categories based on program needs and activities as outlined in 10 V.S.A. § 6523.