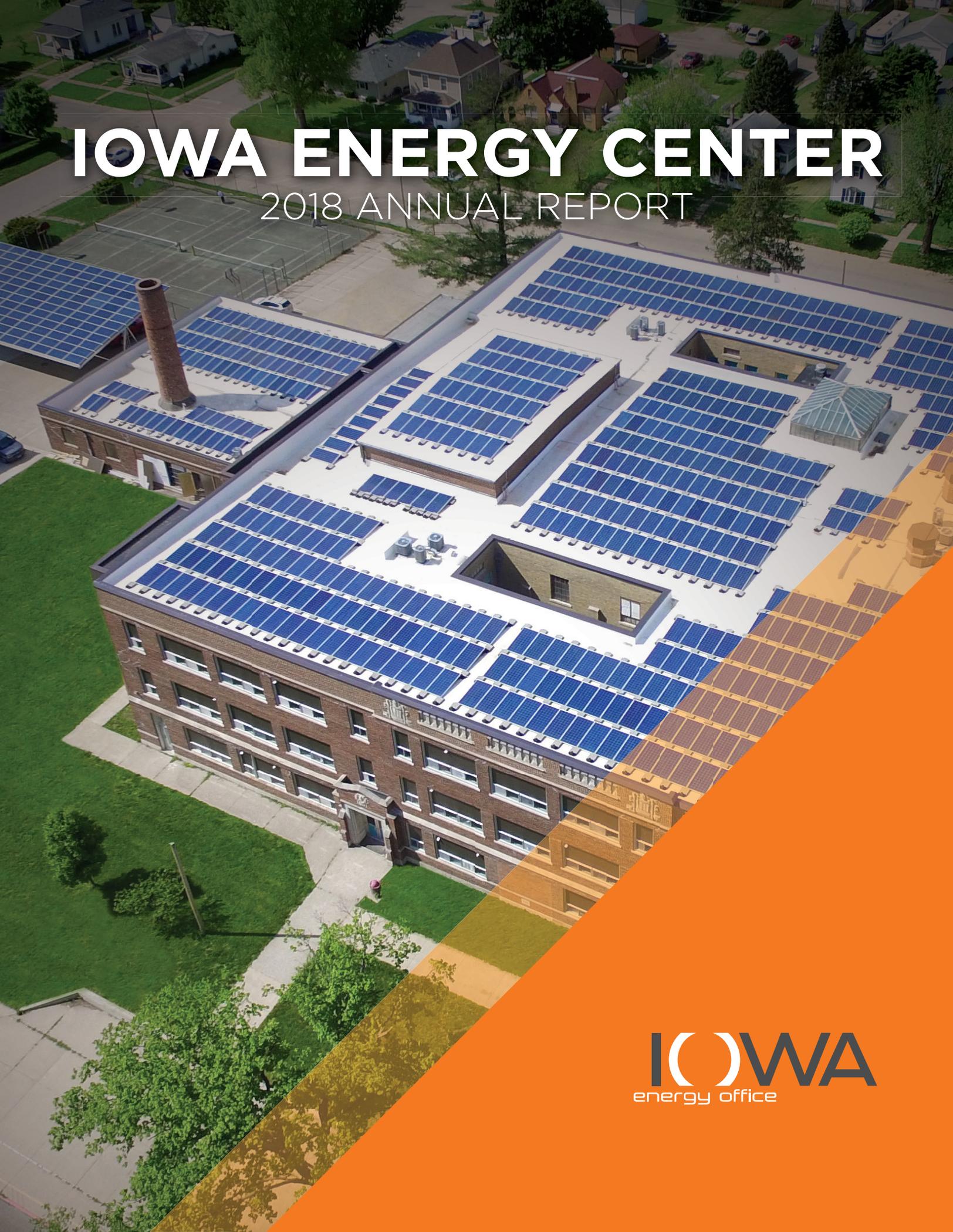


IOWA ENERGY CENTER

2018 ANNUAL REPORT



IOWA
energy office



A LETTER FROM THE DIRECTOR

The Iowa Economic Development Authority (IEDA) is home to both the Iowa Energy Office and the Iowa Energy Center (IEC). As the lead agency tasked with the responsibility to develop the state's strategic and comprehensive energy road map, the Iowa Energy Plan, IEDA is committed to ensuring the IEC's activities and financial resources build upon Iowa's energy leadership and support the Plan's vision and goals.

The overall commitment, focus and goals of the IEC follow:

- To ensure the projects and financial resources undertaken or appropriated have the potential to provide energy economic benefits for Iowa citizens, businesses and organizations in the near term.
- To embrace energy projects supporting all Iowans – both rural and urban.
- To ensure IEC operational costs are kept within budget and used as efficiently as possible – therefore, providing more financial means for impactful energy projects throughout Iowa.
- To be as transparent as possible in terms of processes, budgets, awards and activities.

The process followed in developing the Iowa Energy Plan was a robust and collaborative effort identifying numerous strategies, objectives and focus areas for positively impacting Iowa's energy economy. Consequently, it was a thoughtful and strategic decision by the Iowa legislature to establish a mission for the IEC in 2017 to support activities that align with the key focus areas of the Iowa Energy Plan. With the addition of the IEC, its dedicated financial resources, collaborative board and supportive mission, the state has an unparalleled opportunity to further spark near-term energy economic development opportunities for Iowa.

To borrow from the tagline of the Iowa Energy Plan, the IEC will build on Iowa's energy successes by continuing to collaborate locally, grow sustainably and lead nationally.

Sincerely,



Debi Durham
Director
Iowa Economic Development Authority



ABOUT THE IOWA ENERGY CENTER

The Iowa Energy Center (IEC) was created by the Iowa Energy Efficiency Act of 1990 and was managed by Iowa State University (ISU). Annual funding for the IEC is received from an assessment on the intrastate revenues of Iowa's gas and electric utilities.

On May 12, 2017, Senate File 513 was signed into law, transferring the management and responsibility of the IEC from ISU to IEDA. The transfer became effective October 1, 2017, and the IEC's utility-based funding source will sunset on July 1, 2022. IEDA is required to provide an annual IEC report to the General Assembly annually by January 15.

The new mission of the IEDA-led IEC is to support projects and programs that align with the seven key focus areas of the Iowa Energy Plan:

1. Energy Workforce Development – To expand workforce and career opportunities for workers in the energy sector to ensure the state can attract and train professionals to meet the state's future energy needs.
2. Technology-based energy Research and Development – To support technology based-development by encouraging public-private partnerships and innovative manufacturers to develop and bring to market new energy technologies.
3. Support for Rural and Underserved Areas – To support rural and underserved areas and vulnerable populations by creating opportunities for greater access to energy efficiency expertise, training, programs and cyber security preparedness for small utilities.
4. Natural Gas Expansion in Underserved Areas – To support the expansion of natural gas infrastructure to rural and underserved areas of the state where the absence is a limiting factor to economic development.
5. Biomass Conversion – To promote and fund research, development and commercialization of biomass technology to benefit the state economically and environmentally by further realizing the value-added attributes of biomass in the development of bioenergy, biofuels and biochemicals.
6. Alternative Fuel Vehicles – To encourage growth of the alternative fuel vehicle market, particularly for electric vehicles, and the infrastructure necessary to support the market.
7. Electric Grid Modernization – To support efforts to modernize the electric grid infrastructure of the state to support increased capacity and new technologies.

Senate File 513 also established the formation of a governor-appointed board of directors (see Board Roster below). The 13-seat board has diverse representation from the following organizations: ISU; University of Iowa; University of Northern Iowa; an Iowa private college/university; an Iowa community college; IEDA; Iowa Department of Transportation; Office of Consumer Advocate; Iowa Utilities Board; rural electric cooperatives; municipal utilities; two representatives from investor-owned utilities.



IOWA ENERGY CENTER BOARD ROSTER

Sector	Board Member	Org./Institution/Company	Term Ends
Academia	Dan Nickey (G)	University of Northern Iowa	6/30/2019
	Gul Kremer (G)	Iowa State University	6/30/2020
	Nathan Young	University of Iowa	6/30/2022
	Valerie Newhouse (L)	Iowa Lakes Community College	6/30/2020
	Vacant	Private College/University	N/A
Government	Debi Durham (G)	Iowa Economic Development Authority	6/30/2021
	Geri Huser	Iowa Utilities Board	6/30/2019
	Jennifer Johnson** (G)	Office of Consumer Advocate	6/30/2019
	Stuart Anderson (L)	Department of Transportation	6/30/2020
Utilities	Joel Schmidt (L)	Alliant Energy	6/30/2021
	Rick Olesen (G)	Iowa Lakes Electric Cooperative	6/30/2022
	Robert Berntsen (L)	MidAmerican Energy	6/30/2021
	Timothy Whipple* (L)	Iowa Association of Municipal Utilities	6/30/2021

*Elected Board Chair in 2018

**Elected Board Co-Chair in 2018

(G) Serves on the Grant Committee

(L) Serves on the Loan Committee

The board's main responsibilities include:

- Providing direction regarding policies, procedures and programs.
- Reviewing and approving loan and grant applications. In May 2018, board members volunteered and were selected by peers to serve on grant and loan committees (denoted in chart above). The committee members were instrumental in the development of program administrative rules. Once the grant and loan programs open in 2019, committee members will assist IEDA staff with reviewing applications and making award recommendations to the full board.
- Assisting IEDA in the development and approval of the IEC's budget.



IEDA-LED IEC ACTIVITIES

On September 28, 2017, Governor Kim Reynolds announced the board appointments. The first IEDA-led IEC Board meeting was held October 31, 2017; subsequently, eight board meetings have been held during the timeframe covered by this annual report. Board meetings are typically held quarterly, are open to the public and all agendas and minutes are located on IEDA's website.

To manage the inherited grants and loans, as well as to have the necessary staffing resources to administer new grant and loan awards, IEDA added two positions in 2017, a grant project manager and loan project manager. Existing IEDA staff fulfill additional needs such as legal, fiscal, marketing and energy expertise.

In addition, upon completion of the transfer of the IEC, IEDA Director Durham requested a financial review to be performed by the Auditor of State to gain affirmation of the transferred IEC financial accounts. The final financial report is expected to be complete in early 2019.

GRANT AND LOAN PROGRAM OVERVIEW

The IEC's financial resources provide support via two pathways:

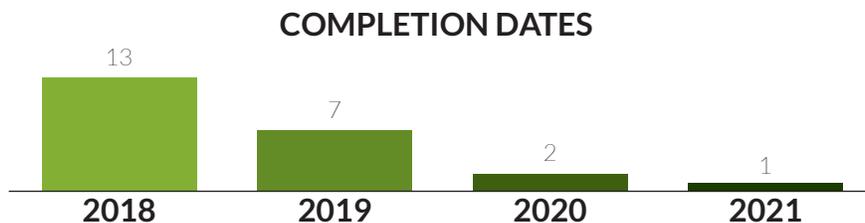
1. Grant funds that may be issued for eligible projects and programs, which are submitted on a competitive basis by Iowa businesses, colleges and universities and private nonprofit agencies and foundations. Eligible grant-funded projects must align with one of the seven key focus areas of the Iowa Energy Plan. Projects must also provide a benefit for Iowa ratepayers.
2. Alternate Energy Revolving Loan Program (AERLP), a zero-interest loan fund to support the development of renewable energy production projects (i.e., wind, solar, hydro, biomass or a combination of technologies).





GRANT PROGRAM

IEDA inherited 23 active grants. These grants were divided into four categories: matching grants; opportunity grants; special program grants; and education grants. Of the total, 20 are set to end by December 31, 2019, while three have completion dates between 2020 and 2021.



The total balance of these grants is \$2,641,000. In addition to IEC funding, many of the grants also leveraged outside funds, with sources ranging from the U.S. Department of Energy to the National Science Foundation.

All contracts for the inherited grants were transferred to IEDA contracts. After the contracts were executed, IEDA began accepting and making payments on claims from grant recipients. As part of the claims process, grant recipients were required to provide any outstanding progress reports to IEDA, as well as a status update.

The IEC Board was charged with making decisions regarding grant modification requests. To date, the IEC Board has reviewed and approved 17 no-cost modification requests from principal investigators.

The largest task for the board has been the creation of the grant program's administrative rules. In order to create a well-built program, the board felt it was important to get feedback from both past and future potential participants in the grant program. To that end, the IEC released a pre-application in February 2018. The goal was to identify the types of projects eligible applicants were interested in pursuing. In response, 39 pre-applications were received for topics ranging from energy workforce collaboration to battery energy storage.

Since the grant committee formed at the May 2018 board meeting, members have been working diligently to create grant program rules that will form a robust, competitive grant program with clear benefits to Iowa ratepayers. Pre-applications were reviewed at the first committee meeting in June. This review provided the grant committee insight on potential award amounts, likely project durations and focus areas of interest. The information collected from the pre-applications was vital in helping the committee develop many of the rules, including those regarding the maximum award size and project duration. Subsequent committee meetings have focused on policies and procedures, scoring criteria and program timelines.

Grant program rules were approved by the IEC board at the November 7, 2018, meeting, and a Notice of Intended Action was filed November 8. The grant committee is also working on the program's policies and procedures handbook, as well as applications and submission information.



ALTERNATE ENERGY REVOLVING LOAN PROGRAM (AERLP)

IEDA inherited 323 open AERLP loans on transition of the IEC. These loans supported construction of facilities producing renewable energy from wind, solar and biomass resources. The beginning dates for these loans spanned from May 2004 to June 2017. More than a dozen loans have been paid off since IEDA started managing them in October 2017. Iowa code allows loan terms of a maximum of 20 years, which had been provided by the IEC for a few loans. IEDA fiscal staff work to ensure monthly payments are received by IEDA instead of ISU from participating program lenders.



The IEC utilized a participation agreement with lenders to underwrite and service loans. The lender share was required to be the same amount or higher than the IEC share. The lenders are servicing the entire loan packages throughout the terms and forwarding the repayments to IEC. Most loans financed the entire project cost through a 50/50 split between IEC and the participating lender. This results in a leverage from participating lenders and other sources of funding at an average of 56.7 percent. The loans inherited by IEDA represented a total of \$26.7 million in AERLP funds and \$84 million in leveraged funds. The projects with the most leverage were wind energy projects that had a much higher cost than the maximum allowable loan amount.

The AERLP has a clearly defined purpose and certain parameters already defined in Iowa Code; therefore, the task of the IEDA and IEC board has been to build from that foundation. The loan committee and IEDA staff met multiple times in 2018, reviewed information from the inherited portfolio, and began establishing future program parameters and priorities. Administrative rules were drafted to reflect direction from the committee and board. Loan program rules were approved by the board November 7, 2018, and a Notice of Intended Action filed November 8, 2018. IEDA staff and the loan committee are developing the application along with associated program policies and procedures.



AERLP FINANCIAL REPORT

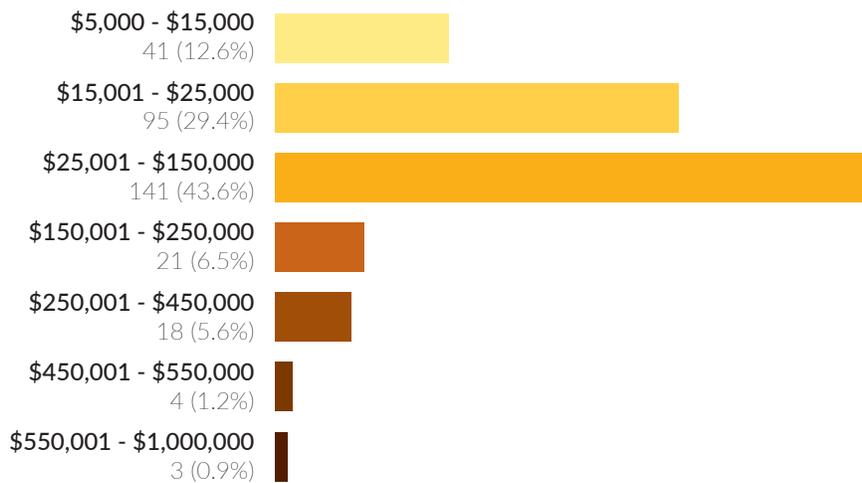
FUNDING	Projects (Loans)	Loans Receivable
Transfer from ISU (Oct 1, 2017)	\$3,911,135	\$13,168,765
Repayments received (Oct 1, 2017 thru June 30, 2018)	\$3,135,915	(\$3,135,915)
Loans receivable balance (June 30, 2018)		\$10,032,850
Funding Available	\$7,047,050	

NOTES:

1) Administrative Rules will be finalized in the Spring of 2019 at which time IEDA will begin process of screening applications and awarding new loans.

2) \$3,581,440 in expected loan repayments in FY2019.

AERLP LOAN AMOUNTS



IOWA ENERGY CENTER FINANCIAL REPORT

FUNDING	Administration	Projects	Total
Transfer from ISU (Oct 1, 2017)		\$4,322,126	\$4,322,126
Transfer from Iowa Utilities Board (IUB)	\$500,000	\$3,776,717	\$4,276,717
			\$8,598,843
OBLIGATIONS/PAYMENTS			Total
Obligated project funds transferred from ISU			\$2,641,000
Less payments made on obligated funds (as of June 30, 2018)			(\$129,255)
Remaining obligated funds balance			(\$2,511,745)
Administrative expenses			(\$126,224)
			\$8,472,619

NOTES:

- 1) Administrative Rules will be finalized in the Spring of 2019 at which time IEDA will begin process of screening applications and awarding projects.
- 2) Funding for IEDA programs under the Iowa Energy Center sunsets as of June 30, 2022 per 2017 Acts, Chapter 169 Section 37.
- 3) Per 2018 Acts Chapter 1172 Section 91, some of the funding available for Iowa Energy Center programs is transferred to the General Fund of the State as outlined below (assumes a IUB transfer of \$4.25 million each year).

PROGRAM FUNDING SCHEDULE

	IUB Transfer	To General Fund	To IEDA
FY2020	\$4,250,000	\$1,280,000	\$2,970,000
FY2021	\$4,250,000	\$2,910,000	\$1,340,000
FY2022	\$4,250,000	\$3,530,000	\$720,000





**IOWA ECONOMIC DEVELOPMENT AUTHORITY
IOWA ENERGY OFFICE**

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