

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, January 17, 2014

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on January 17, 2014 at the office of the Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope conference room.

1. Call to Order: Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:00 a.m. Board members participating: Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Bettina Ferguson, State Treasurer’s Office; Norma Glover; John Harrity; Reed Hundt; Matthew Ranelli; and Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (“DECD”).

Members Absent: Mun Choi, Tom Flynn and Patricia Wrice.

Staff Attending: Jessica Bailey, George Bellas, Andy Brydges, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Suzanne Kaswan, Shelly Mondo, Kerry O’Neill, and Cheryl Samuels.

Others Attending: Henry Link; and Barbara Fernandez, DECD.

Ms. Smith thanked Mr. Esty for his visionary expertise and ideas for CEFIA and wished him well in his new endeavors. Ms. Glover acknowledged the positive changes to the organization over the last several years and attributed the success to Mr. Esty, Ms. Smith and staff of CEFIA. Mr. Ranelli also acknowledged the incredible changes to CEFIA and attributed the successes to Ms. Smith, Mr. Esty and the CEFIA team.

2. Public Comments

There were no public comments.

3. Approval of Minutes of Meeting of December 20, 2013

Ms. Smith asked the Board to consider the minutes from the December 20, 2013 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Ferguson, the Board members voted in favor of adopting the minutes from the December 20, 2013 meeting as presented (Ms. Glover abstained from the vote).

4. Update from the President

Mr. Garcia welcomed everyone to the Colonel Albert Pope conference room. He noted that the conference room was named after Colonel Pope who was an entrepreneur and founded Pope Manufacturing. Pope Manufacturing began production of an electric automobile in Hartford, Connecticut. Mr. Garcia mentioned that the Bernard Baker conference room was named after the Fuel Cell Energy founder and the Sarno meeting room was named after the first family to receive a C-PACE loan at 542 Westport Avenue in Norwalk. The other conference room is the Solar Lease room.

Mr. Garcia provided an update on the Bridgeport fuel cell project, which is the second largest fuel cell power plant in the world. He mentioned that over 100 jobs have been created in Connecticut as a result of the project. Mr. Garcia noted that within one year from approving the financing, the project is up and running. The Board acknowledged the work and efforts by staff to bring the project to fruition expeditiously.

5. Residential Sector Program Updates and Recommendations:

Ms. O'Neill provided an update on the Residential Sector Program. She mentioned that more than 120 contractors have been trained, a majority for the Smart-E product. Approximately \$85,000,000 of capital from 16 capital providers has been made available for 4 products under the residential sector program. Ms. O'Neill stated that 361 applications have been received across the 4 products. She mentioned that staff has been working with the utility companies and representatives from the public to develop an on-bill repayment program. Ms. O'Neill spoke briefly about the resolution for a master servicer.

Ms. O'Neill stated that staff is also working with community development financial institutions ("CDFIs") to develop a secured loan product for the multifamily initiative. She described some of the efforts that will be made to help drive demand in 2014. Ms. O'Neill spoke about the competition with the subsidized capital (i.e. Energy Efficiency Fund's Home Energy Solutions Financing Program for energy efficiency and gas company heating loan). She talked about the applications received, noting that 82 technical applications totaling approximately \$1,000,000 have been received to date from 38 contractors. To date, 78 applications have been closed, and the average loan size is approximately \$12,100. Ms. O'Neill stated that HVAC and solar are driving the volume, and therefore staff recommends focusing in those areas. Mr. Esty noted the importance of encouraging the utilities to move away from the subsidy model over the next several years and to help the utilities understand ways to deploy funding. A suggestion was made to urge the utilities to authorize CEFIA to distribute funding under its model.

Ms. O'Neill discussed the volume of loans approved by the various lenders. A total of approximately \$1,100,000 in loans have been approved, closed and/or funded through November 2013. Ms. O'Neill noted the large disparity among the lenders with respect

to application denials and mentioned that staff is working with the lenders on this issue. She mentioned that the accomplishments under the program were done without any paid marketing campaigns.

Ms. O'Neill provided an update on the CT Solar lease product and mentioned that 178 applications have been received to date from 10 installers. She mentioned that 16 loans have closed for \$645,000 and 84 applications have been approved or are in the approval process for \$3.3 million. Mr. Hunter mentioned that a majority of the withdrawals are a result of people who submitted applications themselves without the assistance of a contractor. In response to a question, Ms. O'Neill stated that the numbers reported for the CT Solar Loan product do not include Solarize Connecticut. Mr. Hunter mentioned that the increase in the funding for the program has enabled CEFIA to go statewide and resulted in increased growth in the program. He stated that the closing for \$4,000,000 of private capital should occur within the next several weeks.

Under the Cozy Home Loan product, Ms. O'Neill reported that one loan has closed, and staff is trying to reposition the marketing of the product with contractors. Ms. O'Neill discussed some of staff's observations under the residential sector. She explained that targets were developed based on capital anticipated to be raised and not capital that could be deployed based on consumer demand. Ms. O'Neill stated that operationalizing 4 products has taken some time, and HVAC and solar are the focus rather than traditional energy efficiency. She indicated that Energize Norwich has had great success, and the campaign is driving more gas conversions than anticipated. Ms. O'Neill discussed the 2014 targets and progress made to achieve the targets for each of the 4 products. In response to a question, Ms. O'Neill indicated that it has been a challenge to get all parties to work together and to encourage the applicants that want natural gas conversions to also incorporate other energy efficiencies. The Board indicated that the residential programs should focus on new and innovative ways to market and get consumers to take-up financing products.

Mr. Garcia explained the resolution authorizing the retention of a master servicer for CEFIA's On-Bill Repayment Program. The Board discussed the differences between the two responses submitted in response to the Request for Proposals issued, particularly with pricing. Ms. O'Neill and Mr. Hunter explained that they do not believe that one of the bidders understood the complexities involved with working with a number of financial providers. In response to a question, Ms. O'Neill explained the rationale for recommending a two year agreement. The Board asked staff to ensure that there is an exit clause in the agreement with Concord Servicing Corporation and to try to further negotiate the fees.

Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board voted unanimously in favor of adopting the following resolution regarding a Master Servicer for CEFIA's On-Bill Repayment Program:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver a Professional Services Agreement ("PSA")

between CEFIA and Concord Servicing Corporation to serve as Master Servicer for CEFIA's On-Bill Repayment Program in an amount not to be greater than \$170,128 with terms and conditions consistent with the CEFIA's standard PSA, and as he or she shall deem to be in the interests of CEFIA and the ratepayers.

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

6. Commercial and Industrial Sector Program Updates:

Ms. Bailey provided an update on the Commercial and Industrial Sector Program. She noted that 72 towns are now on board, representing approximately 80 percent of the Connecticut eligible market. More than 200 contractors have been trained, and there are 17 qualified capital providers. Ms. Bailey stated that \$12,500,000 in transactions has closed and over \$20,000,000 has been approved. She noted that CEFIA has exceeded its goal of approving \$20,000,000 by year end and closing \$10,000,000. Ms. Bailey indicated that the pipeline of projects continues to grow, and CEFIA is partnering with others to continue to build volume. She spoke about the volume, size and type of projects closed from July 2013 through December 2013 and noted that CEFIA is seeing larger projects than anticipated – delivering between 40 to 50 percent electric and fuel savings. Ms. Bailey stated that the projects are geographically dispersed throughout Connecticut. The Board acknowledged the greater savings with the larger projects and the jobs created as a result of the larger projects. In response to a question, Mr. Hunter indicated that mortgage holder consent is an issue for several of the towns that have not signed on to C-PACE.

Mr. Hunter provided an update on the sell-down process, noting that it is anticipated that the closing will occur in February. He explained that in November, the Board adopted a resolution authorizing the sale of closed C-PACE transactions to the Clean Fund. However, staff recommends an amended and restated resolution to provide more clarity about the transaction that was described in detail to the Board in November and has slightly evolved.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board voted unanimously in favor of adopting the following resolution regarding the sale of closed C-PACE transactions:

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly (the "Act"), CEFIA is directed to, amongst other things, to establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE") and CEFIA established the C-PACE program; and

WHEREAS, the Board of Directors previously passed resolutions authorizing the establishment of a \$40 million construction and term loan facility in support of the C-PACE program to fund C-PACE transactions approved at the requisite authorization level by staff, the Deployment Committee or the Board of Directors (the “C-PACE Warehouse Facility”); and

WHEREAS, CEFIA established the C-PACE Warehouse Facility and has closed over \$15 million in C-PACE projects; and

WHEREAS, CEFIA staff requests the Board of Directors approve the sale of the first 8 closed C-PACE transactions and up to the next \$25 million of C-PACE benefit assessments to the Public Finance Authority which will issue bonds to Clean Fund and CEFIA; and

WHEREAS, the Board of Directors directed staff to sell-down such funded C-PACE transactions to private capital providers in order to continually replenish funding capacity for the C-PACE program on an ongoing basis; and

WHEREAS, staff’s request is consistent with CEFIA’s comprehensive plan and budget for FY 2014 with respect to anticipated budget investments for the C-PACE program and other program requirements.

NOW, therefore be it:

RESOLVED, that CEFIA’s Board of Directors authorizes the sale of the first 8 closed C-PACE transactions and up to the next \$25 million of C-PACE benefit assessments to the Public Finance Authority, which will issue bonds to Clean Fund and CEFIA.

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract in furtherance of the sell-down transaction consistent with the Memorandum to the Board of Directors dated November 8, 2013, as updated for the Board of Directors on November 15, 2013 and January 10, 2014.

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to affect the above-mentioned legal instrument.

7. Institutional Sector Program Updates:

Mr. Brydges reported on the Institutional Sector Program. He noted that the second loan recently closed in the Campus Efficiency Now program, and staff is working with St. Joseph’s College and Connecticut College on potential additional projects. Mr. Brydges stated that staff will recommend minor adjustments to the time line for the

Campus Efficiency Now program at the next Deployment Committee meeting. He indicated that more outreach efforts will also be done. Mr. Brydges mentioned that the proposed municipal Solar Lease projects will not close until the 2014 ZREC auction has been completed. Mr. Brydges stated that a potential applicant for a municipal solar lease project requested the modification of existing underwriting criteria to accommodate a ground mounted 650 kW system. Staff is focusing on the Lead by Example projects and is working with the State on the coordination of an approved third-party financing mechanism and agreements. The Board encouraged staff to work with state agencies to enable private capital rather than bonds as the source of funding for state energy performance contracting projects. Mr. Brydges talked about the pipeline of Lead by Example projects.

8. Statutory and Infrastructure Sector Program Updates:

Mr. Hedman discussed the Statutory and Infrastructure Sector Program. He talked about the Anaerobic Digester, Combined Heat and Power (“CHP”) and Residential Solar Investment products. He noted the significant increase in projects in the second quarter compared with the first quarter of 2014. Mr. Hedman mentioned that the objectives of the program are to increase demand and reduce system costs. He reviewed the status of the anaerobic digester and CHP projects in the pipeline. Mr. Esty emphasized the importance of these projects and need to recapitalize waste energy infrastructure.

Mr. Garcia reported that overall CEFIA is achieving success and making good progress. He noted the need to focus on origination and customer acquisition. Mr. Garcia mentioned the need to also be more innovative with marketing and to build and connect the different sectors. He indicated the need to add a director or vice president position for marketing. This issue will be discussed further at a future meeting.

9. FY 2013 Annual Report:

Mr. Garcia mentioned that in accordance with Public Act 11-80, CEFIA is required to issue an annual report. He explained that staff is finalizing the annual report and asked the Board to consider authorizing staff to circulate the report by the end of January for comments. Following incorporation of the comments, the Chairperson of the Board together with the Chairperson of the Audit, Compliance and Governance Committee would be authorized to approve the annual report.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolution regarding the 2013 Annual Report:

WHEREAS, pursuant to Public Act 11-80, “An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut’s Energy Future,” Section 99(f)(1), the Clean Energy Finance and

Investment Authority (“CEFIA”) Board of Directors (“Board”) is required to issue an annual report; and

WHEREAS, the CEFIA Board has approved the Audited Financial Statements and the Federal Single Audit Report of CEFIA for the Fiscal Year Ending June 30, 2013 (“FY13 Audit”) at the December 20, 2013 Board meeting.

NOW, therefore be it:

RESOLVED, that the CEIFA Board hereby instructs CEFIA staff to circulate the Fiscal Year 2013 Annual Report to the Board by January 31, 2014 consistent with the FY13 Audit.

RESOLVED, that the CEFIA Board shall provide any comments and revisions to the CEFIA President for incorporation into the Fiscal Year 2013 Annual Report within one week of presentation.

RESOLVED, that the CEFIA Board hereby authorizes the CEFIA Board Chairperson and the Chairperson of the CEFIA Audit, Compliance and Governance Committee to approve the final Fiscal Year 2013 Annual Report.

10. Legislative Proposals:

a. C-PACE and Micro-grids

Mr. Goldberg mentioned that CEFIA is seeking to expand the C-PACE legislation to allow equipment that supports a micro-grid system but is not permanently affixed to qualifying commercial real property to qualify for C-PACE financing. In response to a question, Mr. Hunter indicated that capital partners should be supportive of the change. A discussion ensued on the definition of clean energy, and a suggestion was made to ensure that the language is flexible but also consistent with CEFIA’s mission and includes the appropriate elements of clean energy.

b. Connecticut Green Bank

Mr. Goldberg indicated that CEFIA will be seeking legislation to change its name to the Connecticut Green Bank. It was noted that the public is becoming aware of the concept of the “Green Bank.”

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolution regarding the 2014 legislative session:

WHEREAS, the 2014 Connecticut Legislative Session convenes February 5, 2014 and adjourns May 7, 2014 (“2014 Session”); and

WHEREAS, CEFIA staff has presented to the Clean Energy Finance and Investment Authority (“CEFIA”) Board of Directors (the “Board”) two Agency Legislative Proposals for the 2014 Session.

NOW, therefore be it:

RESOLVED, that the CEFIA Board authorizes and empowers CEFIA staff to submit and present two Agency Legislative Proposals for the 2014 Session related to (1) modifying CEFIA’s official name to the “Connecticut Green Bank” and (2) revising the Commercial Property Assessed Clean Energy (“C-PACE”) enabling statute to allow equipment that supports a micro-grid system but is not permanently fixed to qualifying commercial real property to qualify for C-PACE financing.

11. Clean Energy Business Solutions—Horizon’s Inc.:

Barbara Fernandez from the Department of Economic and Community Development (“DECD”) described Horizon’s, Inc., a not-for-profit organization that provides job training and placement services for adults with developmental disabilities. She mentioned that the organization is constructing a new building, and a request has been made to CEFIA for Clean Energy Business Solutions financial assistance for a 63 kW solar PV system and 28 ton geothermal system at the new building.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolution regarding Clean Energy Business Solutions financial assistance to Horizons, Inc., South Windham, CT:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver a Clean Energy Business Solutions (“CEBS”) financial assistance award of \$500,000 to Horizons, Inc. for the construction of clean energy measures at 127 Babcock Hill Road, South Windham, CT.

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instrument not later than three months from the date of this resolution.

12. Officer Salary Range and Compensation Process:

Ms. Smith described the proposed manner in which the annual salaries will be established for the officers of CEFIA for the 2014 fiscal year, as discussed by the Board in December.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted in favor of adopting the following resolution

regarding annual salaries for the officers of CEFIA for the 2014 fiscal year (Ms. Ferguson abstained from the vote):

WHEREAS, pursuant to Section 3.1 of the Clean Energy Finance and Investment Authority (“CEFIA”) Bylaws, the Board of Directors (the “Board”) shall be responsible for determining or approving compensation for each officer; and

WHEREAS, the Board has approved the salary ranges for the President and Chief Executive Officer, the Executive Vice President and Chief Investment Officer, and the General Counsel and Chief Legal Officer (the “Officers”); ;and

WHEREAS, the annual performance reviews for the Officers are complete.

NOW, therefore, be it:

RESOLVED, that the Board authorizes the Chairperson of CEFIA to establish the specific annual salaries for the 2014 fiscal year for the Officers within the Board approved salary ranges based on the best available market data and the respective annual performance reviews for each Officer.

13. Adjournment: Upon a motion made by Mr. Harrity, seconded by Mr. Glover, the Board members voted unanimously in favor of adjourning the January 21, 2014 meeting at 10:56 a.m.

Respectfully submitted,

Catherine Smith, Chairperson