CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors

Minutes – Regular Meeting
Friday, April 25, 2014

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the "CEFIA")** was held on April 25, 2014 at the office of the Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

1. **Call to Order**: Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:03 a.m. Board members participating: Mun Choi; Bettina Ferguson, State Treasurer's Office; Rob Klee, Commissioner of DEEP, Tom Flynn (by phone); Norma Glover; John Harrity; Reed Hundt; Matthew Ranelli; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development ("DECD"); and Patricia Wrice (by phone).

Staff Attending: Jessica Bailey, George Bellas, Andy Brydges, Joe Buonannata, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Ben Healey, Dale Hedman, Bert Hunter, Suzanne Kaswan, Alexandra Lieberman, Kerry O'Neill, Rick Ross, Cheryl Samuels, and Genevieve Sherman.

Others Attending: Katie Dykes, DEEP; Alex Kragie, DEEP (by phone); Henry Link; Theresa Lavoie, HPACT; Melissa Patterson. ; and Kevin Walsh, GE Energy Financial Services (by phone).

Ms. Smith asked the Board to move Agenda Items #6 and #7 above #5, and #5b above #5a, in order to address the loan transactions that are being recommended for approval first.

> **Upon a motion made by Mr. Harrity, seconded by Ms. Glover, the Board members voted unanimously in favor of adjusting the agenda items.**

2. **Public Comments**

Theresa Lavoie, Executive Director of the Home Performance Alliance of Connecticut ("HPACT"), presented Ms. Smith with a plaque thanking CEFIA for its support of her organization – including having allowed HPACT to host a meeting at the CEFIA office and for sponsoring them.

No other public comments.

Ms. Smith wished to recognize two individuals for their efforts in promoting Connecticut around the country: first, Jessica Bailey for her selection as a White House Champion of Change. Ms. Bailey stated that she shared the honor with the Board and the team at CEFIA. Second, Ms. Smith recognized Mun Choi and the University of Connecticut's men's and women's basketball programs for their recent double National Championships.

Mr. Hundt stated that part of the platform of a current candidate for Governor of Rhode Island is to create a state green bank, if elected. He also updated the Board on Maryland Congressman Chris Van Hollen's intent to introduce a federal green bank act in the coming weeks.

3. <u>Welcome new members to the Board of Directors</u>

Ms. Smith welcomed Kevin Walsh of GE Financial Services' Power and Renewable Energy group who will be joining the Board of Directors in May. Mr. Walsh was appointed by Governor Malloy to serve on the Board for his expertise in renewable energy finance.

Mr. Walsh apologized for not attending the meeting in person as he was in Washington, D.C. on business, but stated his appreciation for the opportunity to serve on the Board and to leverage his expertise in renewable energy and business. Mr. Walsh will officially be sworn in during the month of May.

<u>Election of Vice Chair</u>

Ms. Smith nominated Rob Klee, Commissioner of the Department of Energy and Environmental Protection, to serve as Vice Chair of the Board. Mr. Klee accepted the nomination.

> **Upon a motion made by Ms. Smith, seconded by Ms. Glover, the Board members voted in favor of adopting the following resolution:**

RESOLVED, that Commissioner Klee has been elected by the Board of Directors of the Clean Energy Finance and Investment Authority (CEFIA) in accordance with the bylaws of CEFIA to serve as its Vice Chairperson.

Mr. Klee stated that he is thrilled to serve on the Board and that Deputy Commissioner Katie Dykes and Tracey Babbidge, both of DEEP, will help him moving forward.

4. Approval of Minutes for January 17, 2014 Meeting

Ms. Smith asked the Board to consider the minutes from the January 17, 2014 meeting.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the minutes from the January 17, 2014 meeting as presented.

5. Commercial and Industrial Sector Program Updates and Recommendations

Ms. Bailey stated that she was set to present three C-PACE transactions totaling $9.6 million worth of loans; however, one transaction would be removed.

Due to the recent announcement of financial instability of ClearEdge Power, the fuel cell developer of the Amgraph Packaging transaction, it would be removed from the Board presentation.

Polamer Precision, New Britain

Ms. Bailey discussed the request for C-PACE financing to fund the $2,502,975 installation of a 954 kilowatt solar photovoltaic ("Solar PV") system installation at Polamer Precision, 105 Alton Brooks Way, New Britain, CT. Ms. Bailey noted that the construction loan's rate of 5% and term loan set at a fixed rate of 6% over the 20-year term are what the Board is used to seeing and fit within the box of transactions they have been putting together.

Mr. Harrity noted that the solar PV system contractor for the project is Inovateus Solar Inc. ("Inovateus") of South Bend, Indiana. He asked if Inovateus planned to use any workers from Connecticut. Ben Healey, Senior Manager of Clean Energy Finance at CEFIA, author of the diligence memorandum presented to the Board for this transaction, stated that he was unsure who Inovateus planned to use as subcontractors, but would look into it and get back to Mr. Harrity. Mr. Healey stated that all contractors are required to have certain Connecticut licenses, so it is likely that Inovateus plans to use local workers.

Brookfield YMCA, Brookfield

Ms. Bailey then discussed the request for C-PACE financing to fund the $1,084,893 installation of a 75 kilowatt Combined Heat and Power unit (with microgrid capabilities) and energy efficiency upgrades at the Brookfield YMCA, 2 Huckleberry Hill Road, Brookfield, CT. Ms. Bailey noted that this is the second YMCA project using C-PACE financing and that there are potentially five to six more in the pipeline. This is also the first C-PACE project in the Town of Brookfield.

Mr. Ranelli asked why the capitalization rate of the Brookfield YMCA transaction was different than that of Polamer Precision, to which Ms. Sherman and Mr. Hunter responded that the capitalization rate is illustrative and varies by appraisal.

Mr. Klee asked if the non-profit space seemed to operate differently. Ms. Bailey stated that most non-profits seen through the C-PACE program do not have mortgages on them, so they seemed to work well in that sector.

Ms. Smith asked how many Connecticut municipalities have currently opted into C-PACE, to which Ms. Bailey responded that 80 towns have opted-in, with only two having declined participation.

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolutions regarding the C-PACE transactions for 1) Polamer Precision, New Britain; and 2) Brookfield YMCA, Brookfield.

Polamer Precision, New Britain

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

WHEREAS, the CEFIA Board of Directors has approved a $40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a $2,502,975 construction and (potentially) term loan under the C-PACE program to Polamer Realty NB, LLC, the property owner of 105 Alton Brooks Way, New Britain, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated April 17, 2014, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from April 25, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements.

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.

Brookfield YMCA, Brookfield

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

WHEREAS, the CEFIA Board of Directors has approved a $40,000,000 C-PACE construction and term loan program.

WHEREAS, CEFIA seeks to provide a $1,084,893 construction and (potentially) term loan under the C-PACE program to the Regional YMCA of Western Connecticut and Eastern Putnam County, Inc., the property owner of 2 Huckleberry Hill Road, Brookfield, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated April 17, 2014, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from April 25, 2014; and

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements.

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.

C-PACE Sell Down

Mr. Hunter updated the Board on the C-PACE sell down to Clean Fund. He stated that CEFIA is scheduled to close with Clean Fund on May 6, 2014, and that 11 fully disbursed C-PACE transactions will be included in the first tranche submission, totaling just under $8 million in principal. Mr. Hunter noted that this will be the first time there will be a private securitization of commercial C-PACE loans in the country. He said that this has been a true team effort with the C-PACE team originating transactions, Finance underwriting them and Legal handling documentation (with assistance from Shipman and Goodwin, LLC – CEFIA's outside legal counsel).

Ms. Bailey said that it is important to note that these transactions are fully disbursed, as getting money out the door via actual project construction and creating the jobs and clean energy is much more difficult than approving funding.

Ms. Smith asked how many projects have been approved to date and Ms. Bailey responded that 32 have been approved. Ms. Ferguson stated that it is important to note that Clean Fund was selected by a competitive process.

Mr. Hunter gave an update on the status of the warehouse, stating that closed transactions will total $16.3 million when fully disbursed (with less than $10 million disbursed to date) – not including Amgraph Packaging which was removed from this presentation to the Board.

Ms. Glover asked Mr. Hunter if CEFIA feels confident that it will not box itself in from a monetary viewpoint, to which Mr. Hunter responded that he and George Bellas will do monthly check-ins on status and that their assessments to date confirm that the warehouse, combined with the Clean Fund purchase, will be sufficient into the fall of 2014. Also, he noted there are several financial institutions interested in working with CEFIA on funding for the warehouse. Ms. Bailey stated that $40 million of internal funds have helped prove that PACE works, but that the challenge continues to be deal flow and getting the word out that this financing is available.

Mr. Hunter noted that Cortland Capital Market Services will soon be onboard and will aid with generating confidence in investors who will see how well the program is being managed.

Mr. Garcia noted that at a recent DECD event, a municipality leader asked him a question about how onerous of a tax collection process is required of municipalities participating in C-PACE but another municipality leader intervened and affirmed that the process is quite simple and the CEFIA staff provided exceptional service in training and supporting the towns.

6. <u>Statutory and Infrastructure Sector Program Updates and Recommendations</u>

Mr. Hedman introduced Mr. Ross who would present two transactions totaling $6.1 million worth of loans.

Bridgeport Anaerobic Digester Project

Mr. Ross discussed the request for $3,384,000 in long-term subordinated debt to finance the development of a 1.6 megawatt Anaerobic Digestion and cogeneration plant at the Bridgeport Bioenergy Facility, LLC in Bridgeport, CT. Mr. Ross stated that this project is located in close proximity to Bridgeport's main waste water treatment facility. The project developer has arranged with the city to secure waste sludge for a 20-year period, though the system can handle both waste sludge and food waste – which can be used as a soil enhancement and fertilizer.

Mr. Choi asked where the 35 tons of food waste per year would come from and how would it be transported to the site. Mr. Ross stated that local food waste would come from restaurants and other facilities within a 20-mile radius of the project site, in addition to a contract signed by the developer with a large food hauler. Ms. Glover asked who the manager of the project is, to which Mr. Ross clarified that Anaergia is the developer and has done projects both in the United States and globally.

Ms. Wrice asked what the energy produced by the project would be used for and if it would be commercially sold. Mr. Ross stated that the energy would be used for the host's energy consumption and that it would not be commercially sold, and Mr. Klee added that it would relieve pressure on city's waste water treatment facility.

Mr. Flynn wanted to confirm that this is a low-interest loan project with a total payback period of 15 years, which Mr. Hedman affirmed. Mr. Flynn asked when the project is at its riskiest and Mr. Hedman stated that as with any power project, getting through the maturity of operations in the first few years is the most risky, then questions arise regarding what the operations and maintenance capabilities are of the operator. Mr. Flynn asked why 2% is the best interest rate for such a project and if we have the opportunity for a higher rate in the first three years when there is no payback, to which Mr. Hedman responded that CEFIA has historically used a 2% rate as a benchmark for our subordinated offering and that it has been working well to entice developers to take a loan versus a grant. Mr. Hunter also pointed out that by statute, CEFIA is required to make available grants/incentives for AD facilities at a cost of $450/kw – and that the subordinated loans represent the transition from grants to financing – and the loans being offered by the Deployment team are helping to achieve this transition.

Ms. Ferguson asked what kind of companies would be bringing in the waste and is there an option for them to opt out. Mr. Hedman stated that CEFIA is looking at the term sheet for this particular project, but that they have not yet fleshed out the loan agreement which will answer this question.

Ms. Ferguson expressed concern over a potentially diminishing waste stream. Mr. Klee explained that organics total 30% of waste and that there are only two other facilities on this scale in the pipeline, so there is a huge opportunity. Mr. Hedman added that CEFIA is working on a TAM (total available market) report for the next Comprehensive Plan to address such concerns further.

Ms. Glover stated that it is important to push this issue and to be patient regarding its results.

Mr. Harrity spoke of an anaerobic digestion project in the south end of Hartford that gave off a strong odor and asked Mr. Ross if he had ever visited one of the Anaergia's facilities. Mr. Ross said that technology has come a long way. He has not visited any of Anaergia's facilities but has seen others in western Massachusetts and Ohio, including when the food waste was delivered, and there was no odor.

Attorney Farnen reminded the Board that the size of the project was increased from 1.55 megawatts to 1.6 megawatts and therefore the loan request also increased.

Upon a motion made by Mr. Hundt, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolution regarding the Bridgeport anaerobic digester project as written:

WHEREAS, in early 2013, CEFIA released a rolling Request for Proposals (RFP) for anaerobic digestion projects to participate in a statutorily mandated AD Pilot program pursuant to Section 103 of Public Act 11-80;

WHEREAS, the RFP is aimed at reducing landfill waste through the recycling of organics, helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and heat;

WHEREAS, Bridgeport Bioenergy Facility, LLC submitted the Bridgeport Bioenergy Facility proposal in response to develop, in the City of Bridgeport, a 1.6MW anaerobic digestion and cogeneration project and, after a thorough review, was selected as a project that is consistent with the CEFIA Comprehensive Plan and in the best interests of ratepayer;

WHEREAS, the Deployment Committee recommended that the Board approve the subordinated loan financing based on the term sheet set forth in the due diligence package dated February 28, 2014;

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors approves and authorizes the CEFIA staff to execute definitive loan documentation materially based on the term sheet set forth in the due diligence package dated April 25, 2014 for financial support in the form of a $3,384,000 subordinated loan financing; and

RESOLVED, that this Board action is consistent with Section 103 of Public Act 11-80; and

RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect these Resolutions.

Wind Colebrook South Project

Mr. Hunter discussed the request for financial support to Wind Colebrook South, LLC (“WCS”) in the form of $2 million in permanent mezzanine debt investment and up to $800,000 in working capital financing for the development of a 5 megawatt wind project in Colebrook, CT.

Mr. Hunter stated that this would be the first utility scale wind project in Connecticut and that it includes two turbines manufactured by GE. There are two wind projects: Wind Colebrook North and Wind Colebrook South (“WCS”) – and that the Wind Colebrook North project is still mired in litigation,. Mr. Hunter explained that WCS has a long history with CEFIA and its predecessor agency, the Connecticut Clean Energy Fund, including having received a pre-development loan in 2009-2010. WCS also has a power purchase agreement with Connecticut Light & Power at $0.20 per kilowatt hour.

Mr. Hunter stated that WCS has overcome nearly all of its legal and regulatory hurdles, with only an appeal to the Connecticut Supreme Court remaining. Attorney Farnen explained that CEFIA’s term sheet with WCS is clear that no action would be taken by CEFIA until all litigation is cleared.

Mr. Klee stated that he will abstain from voting on this request because of his involvement in this project and pending litigation through his position at DEEP.

Mr. Hunter explained that WCS’ parent company, BNE Energy, Inc. (“BNE”), has stuck with this project for several years. Quanta Services, through its wholly owned subsidiary the Ryan Company, is expected to serve as EPC contractor for the project, as well as tax equity provider. Mr. Hunter confirmed that CEFIA has done due diligence on and interviewed Quanta Services, and confirmed that it has adequate wind experience to move forward. Mr. Hunter stated that Webster Bank, a regional capital provider, will act as a major stakeholder by providing senior debt to the project.

Mr. Hunter stated that in an effort to fully understand the project, Mr. Brydges (who has experience working on wind projects from his previous position in Massachusetts) crafted and released a Request for Proposals (“RFP”). EAPC Wind Energy of Norwich, Vermont was selected to analyze WCS’ project figures and to check and validate the onsite wind data, including recalculating the estimated energy production and a test of shadow flicker.

Mr. Choi asked how CEFIA will ensure that this project does not exceed DEEP guidance on acoustic modeling, and what would happen if this is higher after installation. Mr. Hunter stated that although the equipment specifications conform to DEEP regulations, because CEFIA has not looked at the Original Equipment Manufacturer contract, staff is unsure if GE assures this level or has technical specs with more information. Staff will review and confirm this point during the documentation process.

Mr. Harrity asked for a clarification on what the term “shadow flicker” meant in relation to this project. Mr. Hunter explained that it is the flicker of light resulting from the sun hitting the blades of the wind turbine at certain points during the day.

Ms. Smith asked if there are any outstanding issues with neighbors of the project site. Attorney Farnen responded that beyond the issue of litigation currently at its last level of appeal brought on by a neighbor, there are no outstanding issues.

Attorney Farnen explained that with changes to regulations and standards regarding wind projects in Connecticut put into effect this week, more wind projects may funnel through CEFIA.

In response to a point made by Ms. Smith, Mr. Hunter confirmed that he is suggesting that the Board take a more optimistic, risk-oriented look at wind – i.e., review the project on the basis of the “P95” scenario rather than “P99”. Under this scenario, CEFIA’s loan would be repaid in 15 years. Attorney Farnen explained that this project was presented to the Board because it exceeded the Deployment Committee’s $2.5 million approval threshold.

Mr. Walsh stated that CEFIA was correct in being focused on wind risk and that though he is not on the Board yet, if he were, he would abstain from this vote because of his connection to the GE-manufactured turbines used. He applauded CEFIA for doing a wind study for the project and asked if any avian studies were done to understand potential impact on things like birds and bats. Mr. Hedman stated that this study was likely done at some point, but that he would confirm and get back to the Board on this.

Upon a motion made by Mr. Harrity, seconded by Ms. Ferguson, the Board members voted in favor of adopting the following resolution regarding the Wind Colebrook South project as written (Mr. Klee and Mr. Ranelli abstained).

WHEREAS, Wind Colebrook South LLC (“WCS”), a limited liability company wholly-owned by BNE Energy, Inc. (“BNE”) has a long history with CEFIA and its predecessor, the Connecticut Clean Energy Fund (“CCEF”);

WHEREAS, in 2010, the CCEF awarded BNE a predevelopment loan totaling $500,000 to support the developers in overcoming early-stage technical and regulatory hurdles;

WHEREAS, BNE has entered into a 20-year Power Purchase Agreement ("PPA") with the Connecticut Light and Power Company pursuant to Section 127 of Public Act 11-80, making the project financeable due to the security of its contracted long term cash flows;

WHEREAS, BNE has advanced the project such that it is technically ready to proceed, nearly free of remaining legal obstacles, and soon to be in a position to close on financing so as to begin construction; and

WHEREAS, that the Deployment Committee recommends to the CEFIA Board of Directors ("Board") that the Wind Colebrook South Project be approved as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project.

NOW, therefore be it:

RESOLVED, that the Board approves the Wind Colebrook South Project as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project; and

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute definitive loan documentation materially based on the term sheet set forth in this due diligence package dated April 17, 2014 for financial support in the form of a $2,000,000 permanent mezzanine debt investment and up to $800,000 in working capital financing.

7. Residential Sector Program Updates and Recommendations

Multifamily and Affordable Housing

Mr. Healey stated on behalf of the CEFIA team that Kim Stevenson's work is being moved forward in her absence.

Mr. Healey discussed the request for $1,000,000 in ratepayer capital to further capitalize the Low Income Multifamily Financing Program. The funds would be made subordinate to other capital sourced for the program, subject to appropriate intercreditor agreements, in order to ensure attractive rate and terms from potential senior lenders.

Mr. Healey explained that in partnership with the Connecticut Housing Investment Fund ("CHIF") and the Connecticut Energy Efficiency Fund ("CEEF"), the program uses $300,000 of repurposed ARRA-SEP funds for a loan loss reserve. The $1,000,000 requested of the Board is intended to attract private investment in multifamily properties that receive electric and natural gas incentives for energy upgrades, but do not move forward with projects due to the gap between the amount of incentives provided and the costs of the recommended upgrades. Mr. Healey stated that this program will further build on collaboration between CEFIA and CEEF on joint products and programs.

Mr. Healey stated that CEFIA would that day sign an agreement on a partnership between CEFIA and the Connecticut Housing Finance Authority ("CHFA"). He explained that CHFA has successfully sourced four projects already. CEFIA will partner with CHFA on a pilot program to help CHFA to fully understand how to run a Low Income Multifamily Financing Program. Mr. Healey stated that the program is targeted towards multifamily properties that are at least 60% rented and whose occupants are at 80% of the median area income or lower.

Ms. O'Neill stated that there is a large potential pipeline for this program and could likely help the Home Energy Solutions – Income Eligible ("HES-IE") program go deeper. She said there is a very productive partnership between CEFIA, the Energy Efficiency Board ("EEB") and the utilities on this front.

Mr. Healey stated that the program would provide unsecured loans (higher risk exposure) underwritten with a rigorous energy savings coverage ratio of at least 1.2x.

Ms. Smith asked if CEFIA expected mostly housing authorities to take advantage of the program. Ms. O'Neill said that the focus is on the approximately 4,000 unit pipeline coming out of the HES-IE program but that she has not yet seen a detailed breakdown of it. Mr. Healey stated that he would be surprised if any of the projects in the pipeline are housing authorities.

Mr. Choi asked how the threshold of 60% of the units rented and 80% of area median income were decided upon, to which Mr. Healey responded that HES-IE program guidelines were followed.

Mr. Flynn asked if the next agenda topic, On-Bill Repayment, factored into this program at all. Ms. O'Neill clarified that the Low Income Multifamily Housing Program and the On-Bill Repayment Program are two separate programs.

Mr. Ranelli asked if there was a possibility to focus on projects in the higher swath of area median income. Mr. Healey said there is flexibility and that CEFIA will review area median income and state median income, to which Ms. O'Neill added that CEFIA could do something similar to the Smart-E Loan program.

Mr. Ranelli asked if CEFIA is tracking how many projects are not qualifying for this program. Ms. O'Neill stated that this is an ongoing process and that CEFIA will reach out to the utilities for assistance.

Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the following resolution regarding the Low Income Multifamily Housing Program as written:

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) down selected the Connecticut Housing Investment Fund, Inc. (CHIF) under CEFIA's competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with CEFIA that led to the development of the CHIF Multifamily Permanent Energy Loan Program (MPEL);

WHEREAS, on March 7, 2014, CEFIA's Deployment Committee approved funding for the MPEL in an amount not-to-exceed $300,000 for a Loan Loss Reserve (Credit Enhancements) through the use of repurposed ARRA-SEP program funds, or ratepayer funds, if necessary; and

WHEREAS, CHIF has developed a pipeline of potential projects for financing under the MPEL;

NOW, therefore be it:

RESOLVED, that funding be approved in an amount not-to-exceed $1,000,000 to further capitalize the MPEL (the Capitalization), which will be drawn down by CHIF on a project-by-project basis, as approved by CHIF and CEFIA subject to mutually agreeable underwriting criteria;

RESOLVED, that the $1,000,000 in funds advanced under this Capitalization be supported by the previously approved $300,000 worth of Credit Enhancements, alongside all other capital sourced for the MPEL;

RESOLVED, that funds advanced under this Capitalization may be made subordinate to other capital sourced for the MPEL, subject to appropriate intercreditor agreements, as necessary, in order to ensure attractive rates and terms from potential senior lenders;

RESOLVED, that the President of CEFIA; and any other duly authorized officer of CEFIA, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Capitalization on such terms and conditions as are materially consistent with the diligence memo submitted to the CEFIA Board of Directors on April 17, 2014 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; and

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

On-Bill Repayment Program

Ms. O'Neill discussed the request for Board approval on Phase One Smart-E On-Bill Repayment program, including coverage for all fuel types, and approval that CEFIA staff establish appropriate utility cost recovery mechanisms and develop subsequent on-bill repayment phases (e.g., for the CT Solar Loan, CT Solar Lease).

Ms. O'Neill stated that the Energy Efficiency Board ("EEB") approved Phase One at their board meeting in March 2014 with contingencies, which were addressed at their April 2014 meeting and approved.

Attorney Farnen stated that issues were brought up by the EEB that CEFIA removed from the resolution currently being presented to the Board to clarify that CEFIA's requests to the Board are approval of Phase One and the recommendation to continue to subsequent phases.

Ms. Dykes stated that DEEP made comments regarding their displeasure with some aspects of the March 2014 EEB meeting. She continued that DEEP would support CEFIA on keeping those issues open in an appropriate way for subsequent phases of the program, if CEFIA felt inclined to do so.

Ms. Smith stated that it seemed as if there is a lot of work left to be done, so it was wise of CEFIA to limit the scope of this resolution.

Upon a motion made by Mr. Hundt, seconded by Mr. Choi, the Board members voted unanimously in favor of adopting the following resolution regarding the On-Bill Repayment Program as written:

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT

OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Clean Energy Finance and Investment Authority (CEFIA) to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in November of 2012, the Commissioner of the Department of Energy and Environmental Protection (DEEP) and Co-Chair of the Energy Efficiency Board (EEB) requested that CEFIA investigate establishment of an on-bill program for residential customers that uses low-cost private capital to finance energy efficiency, heating equipment upgrades or conversions, and renewable energy improvements;

WHEREAS, in February of 2013, the DEEP released the Comprehensive Energy Strategy (CES) for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program and the development of an on bill repayment program for residential customers with a utility shutoff provision for failure to make loan repayments;

WHEREAS, in May of 2013, CEFIA launched the Smart-E Loan program, statewide as of November 2013, with 9 credit unions and community banks providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan uses $2.8 million of repurposed ARRA-SEP funds to attract nearly $30 million of private investment from local financial institutions;

WHEREAS, in July of 2013, the Connecticut General Assembly passed Public Act 13-298, AN ACT CONCERNING IMPLEMENTATION OF CONNECTICUT'S COMPREHENSIVE ENERGY STRATEGY AND VARIOUS REVISIONS TO THE ENERGY STATUTES," which charges CEFIA and the EEB, in consultation with the utilities, to develop a residential on-bill repayment program financed by third-party private capital and managed by CEFIA;

WHEREAS, in December of 2013, CEFIA approached the EEB to jointly develop the residential on-bill repayment program in consultation with the utilities; and

WHEREAS, CEFIA and the EEB are undertaking a multi-phase process to develop and implement the on-bill repayment process to leverage current utility capabilities and enter the market quickly with an on-bill option for Smart-E, while taking needed time to develop guidelines for implementation of the statutory requirements set forth in Public Act 13-298.

WHEREAS, that the Deployment Committee recommended to the CEFIA Board of Directors approval of the Phase One Smart-E On-Bill Repayment program materially consistent with this On-Bill Repayment Program Due Diligence Package dated February 28, 2014;

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors approve of the Phase One Smart-E On-Bill Repayment program materially consistent with the On-Bill Repayment Program Due Diligence Package dated February 28, 2014, which includes the ability for a customer to utilize the on–bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source.

RESOLVED, that the CEFIA Board of Directors hereby directs CEFIA staff to work with DEEP and the utilities to establish the appropriate utility cost recovery mechanism and to develop the subsequent on-bill repayment phases for the Deployment Committee's review and CEFIA Board of Directors approval.

Note: Mr. Choi left the meeting at 10:52am – unclear if he rejoined by phone)

8. Budget and Operations Committee Recommendations

Director of Marketing

Mr. Dykes discussed the request for Board approval to hire a Director of Marketing for CEFIA. Mr. Dykes stated that the Director would provide leadership in marketing and customer acquisition.

Ms. Smith stated that even without a Marketing Director, CEFIA is doing great and can only get stronger.

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 Marketing Director position as written:

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) needs to restructure its marketing function and hire a Marketing Director to coordinate a comprehensive marketing strategy to deploy CEFIA's financing products; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors approve the Marketing Director position description and amendment to the staffing plan to reflect the new position.

NOW, therefore be it:

RESOLVED, the CEFIA Board of Directors approves the Marketing Director position description and amendment to the staffing plan to reflect the new position.

Energize Connecticut Launch Budget

Mr. Dykes discussed the request for a new budget allocation of $274,250 for CEFIA's contribution to the launch of the Energize Connecticut brand. Mr. Dykes stated that the idea and plan to launch the budget came after the FY14 budget was created and therefore additional funds are being requested.

Ms. Smith asked if CEFIA is able to manage this additional allocation financially. Mr. Dykes affirmed that CEFIA is net positive for the year and therefore can manage this.

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 Energize Connecticut Launch Budget as written:

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) is a partner in Energize Connecticut; and

WHEREAS, the Energize Connecticut partners have developed a marketing plan to increase the awareness of the brand and its programs; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors approve an increase up to $274,250 in the marketing budget for the fiscal year 2014 budget to support the Energize Connecticut brand launch; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors direct staff to enter into any necessary agreements with the Energize Connecticut partners to execute the Energize Connecticut brand launch and Energize Connecticut marketing activities.

NOW, therefore be it:

RESOLVED, the CEFIA Board of Directors approves an increase up to $274,250 in the marketing budget for the fiscal year 2014 budget to support the Energize Connecticut brand launch; and

RESOLVED, the Committee recommends that the CEFIA Board of Directors direct staff to enter into any necessary agreements with the Energize Connecticut partners to execute the Energize Connecticut brand launch and Energize Connecticut marketing activities.

<u>Match Drive Contract Amendment</u>

Mr. Dykes discussed the request to add $390,000 to the Match Drive contract, bringing it to a total of $1,443,550. Mr. Dykes clarified that is not a request for new funds; rather, it is a request for CEFIA to repurpose existing, unused Marketing dollars to the Match Drive contract.

Mr. Klee asked Mr. Dykes to explain the proposed relationship between the new Director of Marketing and Match Drive. Mr. Dykes explained that the Director of Marketing is unlikely to begin this fiscal year so CEFIA is likely to finish the fiscal year with Match Drive and then enact a one-year contract with them. Mr. Dykes stated that CEFIA does not want to tie the new Marketing Director to Match Drive.

Upon a motion made by Mr. Harrity, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution regarding the Match Drive Contract Amendment as written:

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) has engaged MatchDrive to provide marketing support; and

WHEREAS, CEFIA seeks to devote unused marketing resources to support further work with MatchDrive; and

WHEREAS, the CEFIA Budget and Operations Committee recommends that the CEFIA Board of Directors approves an increase to PSA 1859 with MatchDrive of $390,000.

NOW, therefore be it:

RESOLVED, the CEFIA Board of Directors approves an increase to PSA 1859 with MatchDrive of $390,000.

9. Audit, Compliance and Governance Committee Recommendations

Employee Handbook

Attorney Farnen discussed the request for Board approval of the revisions to the CEFIA Employee Handbook as presented to the Audit, Compliance and Governance Committee ("ACGC") on April 15, 2014 and that CEFIA staff shall be authorized to update the Employee Handbook and related appendixes and forms for non-substantive revisions and updates.

Attorney Farnen stated that CEFIA would follow the State of Connecticut's standard Whistleblower Policy and Violence in the Workplace Policy. Attorney Farnen stated that the Vacation Carryover Policy only applies to employees hired before a certain date, which CEFIA does not have, so it can be removed.

Attorney Farnen explained that there was a healthy discussion regarding the Social Media Policy at the ACGC meeting. A study of other state agencies' policies showed that the State of Connecticut has a zero-tolerance social media use policy, while Connecticut Innovations and the Connecticut Lottery have a small amount of time allowed for personal social media use.

Attorney Farnen recommended allowing a small, finite time for personal computer use, but zero-tolerance for social media and streaming videos. Mr. Ranelli added that social media use and streaming videos poses an optics issue, as CEFIA does not want to be out of step with State policy, and a bandwidth issue.

Ms. Ferguson stated that she has experience working at both a quasi-state and State agency. She cautioned that employees may still access personal social media sites on their smartphones, etc. Ms. Smith stated that social media should be available for work related use, but not for personal use.

Ms. Kaswan explained that CEFIA consulted ADNET to review best practices. She added that all employees are required to take a computer training.

The Board approved the resolutions as presented by the ACGC: limiting personal use of CEFIA-offered assets at the discretion of the CEFIA President and enacting a zero-tolerance policy on social media use and streaming videos, unless for proper business purposes.

Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the following resolution regarding the Employee Handbook, limiting personal use of CEFIA-offered assets at the discretion of the CEFIA President and enacting a zero-tolerance policy on social media use and streaming videos, unless for proper business purposes.

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) has developed and maintains an Employee Handbook which come under continuous review by CEFIA staff and is subject to change from time to time;

WHEREAS, that the Audit, Compliance, and Governance Committee recommended to the Board of Directors of CEFIA approval of the revisions to the CEFIA Employee Handbook as presented to the Audit, Compliance and Governance Committee on April 15, 2014 with a specific request for further discussion and information on a zero tolerance policy for social media and streaming video.

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors of CEFIA approval of the revisions to the CEFIA Employee Handbook as presented to the Audit, Compliance and Governance Committee on April 15, 2014.

RESOLVED, that the Committee hereby recommends to the Board of Directors of CEFIA that CEFIA staff shall be authorized to update the Employee Handbook and related appendixes and forms for non-substantive revisions and updates.

Operating Procedures

Attorney Farnen explained that the Board does not need to vote on the Operating Procedures at the present moment. The Operating Procedures are published in the Law Journal for public comments then CEFIA presents the comments to the Board for approval.

Attorney Farnen explained that current Operating Procedures state that all Requests for Proposals ("RFPs") must acquire Board authorization prior to release. Attorney Farnen recommended that this language be removed from the Operating Procedures because the Board has ready access to all the RFPs.

Attorney Farnen also recommended that the Operating Procedures allow for the CEFIA President to have flexibility to amend workplace policies that do not have an adverse effect on the organization. Ms. Kaswan explained that Connecticut Innovations had adopted a similar policy.

With no other comments, Mr. Garcia reminded the Board that an update memorandum for the Deployment Committee on transactions less than $300,000 and in aggregate less than $500,000 is available in their packet.

10. Adjournment: Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board voted unanimously in favor of adjourning the April 25, 2014 meeting at 11:12 a.m.

Respectfully Submitted,

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Catherine Smith, Chairperson