

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, January 20, 2012

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (“CEFIA”)** was held on January 20, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:08 a.m. Board members participating: Mun Choi; Mark Cirilli; Daniel Esty, Vice Chairperson of CEFIA; Norma Glover; Donald Kirshbaum,; Reed Hundt (by phone), Catherine Smith,.

Member Absent: John Olsen; Matthew Ranelli; and Patricia Wrice

Staff Attending: Brian Farnen, Jocelyn Anastasiou; Keith Frame, Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Shelly Mondo, and Cheryl Samuels.

Others Attending: Peggy Diaz and Jonathan Schrag (by phone) of the Department of Energy and Environmental Protection; Jessica Bailey, the Rockefeller Brothers Fund (by phone); Eric Brown, CBIA (by phone); Dot Kelly, Darien; and Mike Trahan, Solar Connecticut.

2. **Public Comments:**

Mr. Trahan gave a brief description of Solar Connecticut and its members. He noted that Solar Connecticut has provided comments to CEFIA on the Residential PV Program. Mr. Trahan commended CEFIA, its leadership and staff for conducting an open process, sharing information with the public and accepting ideas from stakeholders. He thanked CEFIA for considering changes to its programs based on information received from the public and further stated that the industry is pleased that workforce development is incorporated into the program plan.

Dot Kelly, a member of the Connecticut Resource Recovery Board, thanked CEFIA for its leadership and encouragement of alternative energy sources.

3. **Approval of Minutes of Meeting of December 16, 2011:**

Ms. Smith asked the Board to consider the minutes from the December 16, 2011 Board meeting.

There was consensus to make the following change to the draft minutes:

- Under “Others Attending,” change Ms. Diaz’s affiliation to the Department of Energy and Environmental Protection.

Upon a motion made by Mr. Choi, seconded by Mr. Esty, the Board members voted unanimously in favor of adopting the minutes from the December 16, 2011 meeting as amended.

4. Update from the President:

Mr. Garcia reported on the Chief of Staff search, noting that CEFIA received approximately 60 applications for the position. He mentioned that final interviews will be conducted this afternoon with two finalists. Mr. Garcia briefly spoke about the experience and qualifications of the two finalists and mentioned that the finalists have been asked to prepare a memorandum in response to a scenario provided and to have a conversation with the search committee on the recommendations made in the memo.

Mr. Garcia provided an update on the American Recovery Reinvestment Act ("ARRA") State Energy Program ("SEP"). He mentioned that the U.S. Department of Energy ("DOE") visited several ARRA funded-projects and were pleased with the progress at the sites. The Connecticut Clean Energy Fund ("CCEF") was allocated ARRA funding of \$4,000,000 for solar thermal, \$5,000,000 for geothermal, \$3,000,000 for Solar PV, and \$8,000,000 for fuel cells; and staff has been working since November 2011 to repurpose \$8,250,000 of the \$20,000,000 ARRA funding into a technology agnostic residential clean energy finance program. Mr. Garcia explained the rationale using the funding for a residential financing program rather than commercial program, noting that residential projects are excluded from many of the administrative encumbrances and requirements imposed by federal funds. He mentioned that CEFIA is receiving a lot of support and technical assistance on the structure of the program from DOE. Mr. Garcia stated that staff will be meeting with banks in the coming weeks and month about the program. A suggestion was made to meet with the banks before finalizing the structure of the program to which Mr. Garcia agreed. Mr. Garcia mentioned that staff has met with Howard Pitkin, Banking Commissioner, who is assisting with providing contacts at various banks. A suggestion was made to take steps to have the Banking Commissioner serve as a member of the CEFIA Board. The Board agreed with this suggestion.

Mr. Garcia explained some leverage ratios for programs in other states across the country. He mentioned that best practices are being reviewed in an effort to identify a better program design for Connecticut. A suggestion was made by Mr. Esty to look at lessons learned as well. Mr. Garcia discussed the importance of balancing the funds of the program with appropriate marketing of the program. Mr. Garcia and Ms. Bailey summarized some the discussions held with external groups and DOE thus far on the various financing programs. A memorandum will be prepared identifying the key points, including best and worst practices, understanding marketing issues, and the types of projects that have been successful and work. Ms. Bailey noted the importance of the Governor acting as the chief communicator. Mr. Kirshbaum noted that the Connecticut Development Authority ("CDA") has a similar loan guarantee program and expressed interest in hearing some suggestions to make the CDA program more successful.

The Board members expressed the urgency to get the residential clean energy finance program up and running and the importance of making sure that the program is easily accessible to everyone. Some guidance was provided for structuring the program (i.e. having a contact name, having the technical expertise, making the program simple to understand and easily accessible, contacting other agencies who have experience with operating programs at this scale, extracting best practices as well as lessons learned from failures, and having the appropriate marketing tools in place). A suggestion was made for CEFIA to use its own capital for a loan program to get the money out and to eventually sell the loans.

Some concern was expressed that CEFIA may not be able to reach its goals strictly with the residential program. It was noted that a different program will be necessary for the commercial projects, and the commercial program would require more tailoring while the residential program could be more routine.

Mr. Garcia reported on legislative issues. He mentioned that staff is working on making technical legislative changes to: 1) clarify the quasi-public agency status of CEFIA, 2) changing the investment fund management board appointment to a business community member to the Board; 3) adding the Banking Commissioner as a member of the Board and 4) changing CEFIA's name to the Clean Energy Authority. Additionally, CEFIA would like to propose changes to its statute and is working with the Treasurer's office to include the words "pension funds" to the list of sources of funds. Mr. Garcia mentioned that CEFIA would also like to change some of the bonding provisions giving CEFIA some of the powers and authorities that other agencies have (i.e. having a special capital reserve fund ("SCRF")) which could be more advantageous for CEFIA in the bonding market. A discussion ensued with Mr. Kirshbaum on the authorization process for the CEFIA bond issues, and it was noted by Mr. Esty that the structure of the bond package should be consistent with the State's energy and economic development policies. Ms. Smith stated that the uses of funds from the bond issues will be under the purview of the CEFIA Board. There being no objection, CEFIA will move forward with the proposed legislative agenda.

Mr. Esty mentioned that one of the priorities for the legislative session will be commercial Property Assessed Clean Energy ("PACE"). He noted that approximately thirty states have a workable program and have gotten beyond some of the obstacles with the Federal Housing Administration related to residential PACE programs. Mr. Esty indicated that meetings will be held with banks and Community Development Financial Institutions regarding commercial PACE, and underwriting standards and guidelines will be developed. Mr. Esty noted the importance of getting everyone comfortable with the proposal.

A general discussion ensued on CEFIA's relationship with DEEP and questions arose regarding policies and program issues. Mr. Esty explained that CEFIA and DEEP staff meet on a regular basis, and he is comfortable with the current arrangement. There was general consensus that DEEP should remain focused on policy issues, and CEFIA

should focus on programmatic issues. CEFIA Board members were encouraged to contact Mr. Esty with any policy questions or issues.

5. Residential Solar Investment Program Update and Recommendations:

Mr. Garcia explained that in accordance with Section 106 of Public Act 11-80 "An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future", CEFIA is required to design and implement a residential solar photovoltaic investment program that results in a minimum of 30 megawatts of new residential PV installation in Connecticut before December 31, 2022, not utilizing more than 1/3 of the total surcharge collected annually through the CCEF (approximately \$9,000,000 to \$10,000,000 annually). Mr. Garcia stated that he has challenged staff with designing and structuring a program that exceeds the goals of the statute and produces 50 megawatts of residential PV with half of the proposed funding in accordance with the December 31, 2022 deadline.

Mr. Garcia stated that staff wants to structure a residential solar photovoltaic investment program to ensure that all households have access to the solar PV market, that installers are capable and qualified to install PV, and that the systems can be financed with low interest loans that include cost-effective energy efficiency measures. The program also supports the solar workforce by making provisions for comprehensive training, accreditation and certification programs. Questions arose as to whether solar installers will be required to do energy efficiency audits. It was noted that the solar installers will be required to do energy audits as they have always done, but that the more comprehensive energy efficiency measures like insulation would not be initially required. Mr. Garcia explained the proposed block incentive step-down program, noting how the incentives adjust with the installed capacity. Mr. Garcia stated that staff proposes to test the market, keep costs down and minimize subsidization. He explained the benefits of energy efficiency and noted that energy efficiency can lower the PV subsidies. The Board had a lengthy discussion on the incentives, the estimated payback time both with and without energy efficiency, the upfront costs of the systems, and the role of low cost capital. Some concern was expressed that the manner in which the information about the program is provided is not easily understood. Additional concerns were expressed that the upfront costs for the systems are too high and that the estimated payback period may be too long. The Board discussed possible ways to reduce upfront costs to homeowners. A suggestion was made to aggregate panels to lower panel prices. However, some concern was expressed with excluding contractors if one supplier is chosen to provide all the panels, and that this approach was inconsistent with the requirements under the statute.

A discussion ensued on how to proceed given some of the concerns raised. It was noted that there is approximately \$3,250,000 of available funding that was approved for fiscal year 2012 and could be used to start moving forward with a pilot program while the details of the program are being finalized. The Board discussed some of pros and cons with moving forward without finalizing the program details. The Board invited Mr. Trahan to comment on the issue from a stakeholder perspective. Mr. Trahan indicated

that the industry in Connecticut is not robust at this time because of the uncertainties in the market. He noted the need to develop a solid program and not a program that may change in several months. Mr. Trahan stated that he believes CEFIA will be able to install the targeted number of residential systems with 10-year pay backs since the system lives are 20 years. There was general consensus to have the CEFIA Deployment Committee review the issues raised and make recommendations to the Board to consider at the February meeting.

The Board discussed the development and approval of programs. There was general consensus that programs should be reviewed well in advance and in more detail at a committee level with a recommendation being made by the respective committee to the Board. Mr. Garcia noted that the committees may have to meet more frequently than quarterly if charged with reviewing and approving programs.

6. Financing Program Priorities and Recommendations:

The Board considered the resolution authorizing the engagement of Lamont Financial Services Corporation to provide financial advisory services to assist CEFIA with the development and implementation of new and innovative financing programs.

Upon a motion made by Mr. Kirshbaum, seconded by Mr. Cirilli, the Board members voted unanimously in favor of adopting the following resolution authorizing the engagement of Lamont Financial Services Corporation to provide financial advisory services to CEFIA:

WHEREAS, a major goal of CEFIA is to attract and deploy capital to finance Connecticut's clean energy goals;

WHEREAS, CEFIA must develop financing programs that attract private capital investment in Connecticut to enable a dramatic scale-up in clean energy deployment;

WHEREAS, Lamont Financial Services Corporation provides financial advisory services on public finance including support for the Connecticut Office of Policy and Management, Connecticut Office of the State Treasurer, Connecticut Health and Educational Facilities Authority, and the Connecticut Development Authority.

NOW, THEREFORE, BE IT:

RESOLVED, that the President of CEFIA shall engage the services of Lamont Financial Services Corporation to provide financial advisory services to assist with the development and implementation of new and innovative financing programs.

RESOLVED, that per CEFIA's Operating Procedures, the Chair and President of CEFIA are authorized to expend up to \$150,000 over twelve (12) months for services such as these.

RESOLVED that this Board action is consistent with Connecticut General Statutes Section 16-245n and with the CEFIA Comprehensive Plan.

7. **Approval of Committees 2012 Meeting Calendars:**

Upon a motion made by Ms. Glover, seconded by Mr. Kirshbaum, the Board members voted unanimously in favor of approving the regular committee meeting schedules for the following committees 2012:

- **Budget and Operations Committee;**
- **Audit, Compliance and Governance Committee; and**
- **Deployment Committee.**

8. **Other Business:** There was no other business to discuss.

9. **Executive Session:**

Upon a motion made by Mr. Esty, seconded by Ms. Glover, the Board members voted unanimously in favor of going into executive session at 11:03 a.m. to discuss personnel matters (Mr. Garcia and Mr. Farnen were invited to attend the executive session).

The executive session ended at 11:15 a.m., and the special meeting was immediately reconvened.

10. **Adjournment:** Upon a motion made by Mr. Esty, seconded by Mr. Choi, the Board members voted unanimously in favor of adjourning the January 20, 2012, meeting at 11:16 a.m.

Respectfully submitted,

Catherine Smith, Chairperson