

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Special Meeting
Tuesday, February 14, 2012

A special meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on February 14, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Daniel Esty, Vice Chairperson of CEFIA, called the meeting to order at 3:10 p.m. Board members participating: Daniel Esty, Commissioner of the Department of Energy and Environmental Protection; Norma Glover; Jonathan Harris, State Treasurer’s Office; Reed Hundt (by phone); John Olsen; Matthew Ranelli; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development.

Members Absent: Mun Choi; Patricia Wrice; and Mark Cirilli

Staff Attending: Brian Farnen, Jocelyn Anastasiou; Christin Cifaldi (by phone), Keith Frame, Bryan Garcia (by phone), David Goldberg, Dale Hedman, Shelly Mondo, Cheryl Samuels and Bob Wall.

Others Attending: Don Berg, GM Industries; Peggy Diaz, Department of Energy and Environmental Protection; Evan Dube, SunRun; Stephan Hartmann, Ross Solar; Donald Kirshbaum, State Treasurer’s Office; John Lee, Green Capital; Mike Trahan, Solar Connecticut; and Chris Phelps

2. **Public Comments:**

A solar thermal installer commented regarding the status of funding for the solar thermal programs. Several Board members emphasized the need to move quickly regarding the program. The Board asked staff for a report on the current status of the Solar Thermal Program and the possibility of providing funding for several months until a new program is put in place.

A solar installer commented regarding the proposed residential solar program.

John Lee from Green Capital commented regarding the funding for both ZREC and LREC projects and regarding power purchase agreements. Mr. Esty indicated that this comments will be taken under advisement. A suggestion was made to develop a forum or program to educate the banking institutions on power purchase agreements.

Evan Dube from SunRun commended CEFIA staff for the development of the Residential Solar PV Investment Program.

3. **Approval of Minutes of Meeting of January 20, 2012:**

Ms. Smith asked the Board to consider the minutes from the January 20, 2012 Board meeting. Mr. Harrison disclosed that he did not attend the meeting, but Mr. Kirshbaum, who represented the Treasurer's Office for the meeting, said they were acceptable.

Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board members voted unanimously in favor of adopting the minutes from the January 20, 2012 meeting as presented.

4. Update from the General Counsel:

Mr. Farnen reported that Mackey Dykes has been hired as the Chief of Staff for CEFIA. He spoke about Mr. Dykes' background. He mentioned that Mr. Garcia and he have met with four banks and will continue to reach out to other banks to provide information about CEFIA, the Community Reinvestment Act and to help them understand the benefits of investing in clean energy and energy efficiency. Mr. Farnen mentioned that CEFIA was awarded with a \$480,000 SunShot grant from the U.S. Department of Energy to help reduce non-component costs for solar PV.

5. Residential Solar Investment Program Update and Recommendations by the Deployment Committee:

Mr. Farnen mentioned that the Deployment Committee met on February 9, 2012 and reviewed and recommends approval of the Residential Solar Investment Program ("Investment Program") with some adjustments. He indicated that the Deployment Committee recommends approval of steps 1 and 2 but had some reservation about the proposed operating expenses. Mr. Farnen stated that the Deployment Committee wants additional information on the expenses before approving the operational budget to ensure that the funding for the program is being spent in the best interests of the ratepayers. Mr. Hundt, Chairperson of the Deployment Committee, mentioned that there was consensus to have staff report to the Deployment Committee on a quarterly basis, to take small steps and learn as we go, and to provide stakeholders with information on the availability of \$7,500,000 of funding for projects under steps 1 and 2. He mentioned that the Deployment Committee discussed the mandated declining incentive schedule and the need to eventually substitute loans for grants. Mr. Hundt stated that as materials and other solar costs are reduced, adjustments to the program will be made as necessary. Mr. Hundt mentioned that Connecticut programs are being used as models for the country and noted that Governor Malloy, Mr. Esty and he will be give presentations on CEFIA's model at the National Governors' Association conference at the end of February.

Mr. Farnen mentioned that over the next four to six weeks, staff will prepare a comprehensive consolidated program and operations budget for consideration by the Budget and Operations Committee and/or Board. In response to a question, Mr. Farnen indicated that the Investment Program can move forward without operating expenses at this time with the exception of \$250,000 for a marketing initiative. The Board discussed

various options for proceeding with the program and operating expenses necessary until a comprehensive program and operations budget is presented and approved. A suggestion was made to cap operating expenses for all programs at 10 percent.

Mr. Wall explained the opportunity by CEFIA to obtain philanthropic funding on a strategic marketing initiative that would include a “solarize” component to lower acquisition costs for the Investment Program. The proposal would require CEFIA to contribute \$250,000 which would be matched by foundation funding for Connecticut. Mr. Wall talked about the program which is modeled after a pilot program in Arizona using best practices from other states. The proposal is a unique opportunity for CEFIA to leverage its funding. Questions arose regarding the proposed time frame for needing the funding, how the funds would benefit CEFIA and how long the services provided from the funds would be available to CEFIA. In response to a question regarding whether an outside vendor would need to be hired for this project, Mr. Wall stated that he is not sure that CEFIA has sufficient staff resources to do the entire project itself, and he believes that the benefits from joining the initiative would be advantageous.

A discussion ensued on the intent of the legislation to provide a declining incentive and moving to a long-term financing structure. Mr. Esty noted that the Deployment Committee had a lengthy discussion about this issue and the need to move forward with a financing model. He noted, however, that moving to a new financing program will take some time; and the Deployment Committee concurred that rather than waiting for a financing program, it is prudent to move forward with steps 1 and 2 of the Investment Program as soon as possible while staff continues to focus on developing a financing model. Mr. Hundt mentioned that the Deployment Committee noted the importance of reviewing the program and making a decision on how to proceed with the Investment Program well in advance of the expiration of the \$7,500,000. He mentioned that the Deployment Committee recommended making a decision on how to proceed at the point that \$5,000,000 has been committed to projects. After discussing this issue, a suggestion was made to declare steps 1 and 2 the “Investment Program” rather than making predictions beyond steps 1 and 2 at this time and to expressly emphasize that the Board was committed to achieving the overall program goals beyond steps 1 and 2.

The Board members concurred and emphasized the need move forward to get projects done as quickly as possible.

There was consensus to discuss and consider the program separate from the operating budget.

Upon a motion made by Mr. Esty, seconded by Mr. Harris, the Board voted unanimously in favor of adopting the following resolution regarding the Investment Program for CEFIA:

**RESOLUTION APPROVING THE
RESIDENTIAL SOLAR INVESTMENT PROGRAM FOR THE
CONNECTICUT ENERGY FINANCE AND INVESTMENT AUTHORITY**

WHEREAS, 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” (the Act) requires CEFIA to design and implement a Residential Solar Photovoltaic Investment Program (Program Plan) that results in a minimum of thirty (30) megawatts of new residential PV installation in Connecticut before December 31, 2022.

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared this Program Plan to identify barriers to the development of a permanent Connecticut-based solar workforce and support comprehensive training and accreditation and certification programs.

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared this Program Plan to offer direct financial incentives, in the form of performance-based incentives or expected performance-based buydowns, for the purchase or lease of qualifying residential solar photovoltaic systems.

WHEREAS, CEFIA has prepared a declining incentive block schedule (“Schedule”) that: (1) provides for a series of solar capacity blocks, the combined total of which shall be a minimum of thirty (30) megawatts and projected incentive levels for each such block; (2) provides incentives that are sufficient to meet reasonable payback expectations of the residential consumer; (3) provides incentives that decline over time and will foster the sustained, orderly development of a state-based solar industry; (4) automatically adjusts to the next block; and (5) provides comparable economic incentives for the purchase or lease of qualifying residential solar photovoltaic systems.

NOW, THEREFORE, BE IT:

RESOLVED that the Board hereby approves of the first two steps of the Schedule.

RESOLVED, that Section 2.3.2—Financing of the Program Plan is hereby deleted and will be reviewed by the Deployment Committee at a later date for approval.

RESOLVED, that the Board approves a total allocation of \$7,500,000 (inclusive and not in addition to any previous funding) to be used for (1) incentives supporting steps one and two of the Program Plan.

RESOLVED, the CEFIA staff will (1) continuously monitor activities pursuant to the Program Plan and (2) provide quarterly updates to the Deployment Committee.

RESOLVED, at the point that \$5,000,000 has been committed to projects under the Program, the Deployment Committee will consider and provide notice of a new Program Plan for a future program to continue to ensure the sustained and orderly deployment of the residential solar market in Connecticut.

RESOLVED, that this Board action is consistent with Section 106 of the Act.

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 this Resolution.

The Board discussed the proposed marketing expense of \$250,000 for the Investment Program. Staff was asked to look at other states to determine whether it would be helpful to utilize the Solarize marketing strategy for the Investment program and to provide more information on how the funding will be used and how long it is anticipated to last.

Upon a motion made by Mr. Esty, seconded by Mr. Ranelli, the Board voted unanimously in favor of authorizing the expenditure of up to \$250,000 from the marketing line item of the CEFIA budget to be used for marketing in related to a strategic marketing initiative that would include a “solarize” component to lower acquisition costs for the Residential Solar Investment Program, if determined by the President, in consultation with the Chairperson and/or Vice Chairperson, to be in the best interest of CEFIA, and that staff develop over the next month a comprehensive program and operations budget for consideration by the Board.

6. Discussion of the Comprehensive Plan:

Mr. Farnen mentioned that staff is in the process of developing the Comprehensive Plan for anticipated consideration and approval in March. The Board requested that the Comprehensive Plan be simple, measurable and establish specific, clear goals that align with the State’s overall comprehensive energy strategy. The draft Comprehensive Plan should be provided to the Board members at least 5 business days before the meeting to consider its adoption.

7. Adoption of Broad Standard of Commercially Reasonable Lending Practices:

Mr. Farnen explained that CEFIA cannot move forward and provide loans until it has adopted standards of commercially reasonable lending practices. After discussion with both Latham & Watkins and Attorney Chudwick from Shipman & Goodwin, staff recommends adopting, as minimum standards, the commercially reasonable lending

and risk management standards established by the financial institutions that CEFIA partners with. Some concern was expressed with relying on the standards established by the financial institutions all of the time. The Budget and Operations Committee was directed to look into practices used by other quasi-public agencies (i.e. CHFA and CDA) to develop lending practices for CEFIA and report back to the Board with recommendations. In the interim, there was consensus to adopt the suggested resolution.

Upon a motion made by Mr. Harris, seconded by Mr. Olsen, the Board voted unanimously in favor of adopting the following resolution adopting a standard of commercially reasonable lending and risk management standards for CEFIA:

**RESOLUTION ADOPTING
COMMERCIALLY REASONABLE
LENDING AND RISK MANAGEMENT STANDARDS**

WHEREAS, Section 99 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” (the “Act”) requires CEFIA to develop standards to govern the administration of CEFIA through rules, policies and procedures that specify borrower eligibility and terms of support before making any loan, loan guarantee, or such other form of financing support or risk management for clean energy projects.

WHEREAS, CEFIA plans on partnering with financial institutions (i.e. banks, insurers and third-party administrators) for financing support and risk management for all clean energy projects.

NOW, therefore be it:

RESOLVED, that the Board approves that CEFIA adopt, as minimum standards, the commercially reasonable lending and risk management standards established by the financial institutions that CEFIA partners with in the development and management of financing and risk management for clean energy projects.

8. Discussion of New Pilot Programs Under Section 103 of Public Act 11-80:

Mr. Hedman mentioned that staff is beginning to work on putting together two new three-year pilot programs. The Combined Heat and Power Program is to promote the development of up to 50 megawatts of new combined heat and power projects, and the Anaerobic Digestion program is to promote the development of up to five new on-site anaerobic digestion facilities to generate electricity and heat using organic waste.

Mr. Hedman stated that the projects would compete against each other using three cost mechanisms. He explained that the applications meeting minimum requirements would be evaluated by CEFIA and third party evaluations based on specified evaluation

criteria. It is anticipated that the funding will be available through the end of 2015, and that one Request for Proposal will be issued per year. On or before January 1, 2016, CEFIA will report to the joint standing committee of the General Assembly on the status of the programs and whether such programs should continue. The Board urged staff to ensure that appropriate documentation sets clear milestones so that funding is returned or can be revoked in the event projects do not come to fruition within a specified time frame.

9. Adjournment: Upon a motion made by Mr. Olsen, seconded by Mr. Harris, the Board members voted unanimously in favor of adjourning the February 14, 2012 meeting at 4:48 p.m.

Respectfully submitted,

Catherine Smith, Chairperson