

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, March 15, 2013

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on March 15, 2013, 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 9:00 a.m. Board members participating: Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Tom Flynn; Norma Glover; Sharon Dixon-Peay, State Treasurer’s Office; John Olsen; Matthew Ranelli; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (“DECD”); and Patricia Wrice.

Members Absent: Mun Choi; and Reed Hundt.

Staff Attending: George Bellas, Mackey Dykes (by phone), Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Dave Ljungquist, Cheryl Samuels, Shelly Mondo, and Kimberly Stevenson.

Others Attending: Alex Kragie, DEEP; Henry Link, Enviro Energy Connections; Peter Tavino; and Guy Wanegar, Connecticut Geothermal Association.

2. Public Comments:

Guy Wagoner, President of the Connecticut Geothermal Association, urged CEFIA to keep the association involved and offered assistance in answering any questions about the geothermal technology.

Peter Tavino noted that the Connecticut Geothermal Association has been meeting every month for the last 2 ½ years. He talked about the ground source heating and cooling as being an important natural resource in Connecticut and a good long-term solution for clean energy and the economy. Mr. Tavino urged CEFIA to utilize this natural resource in coordination with public and private investments and to work with the Connecticut Geothermal Association.

3. Approval of Minutes of Meeting of February 15, 2013:

Ms. Smith asked the Board to consider the minutes from the February 15, 2013 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Glover, the Board members voted in favor of adopting the minutes from the February 15, 2013 meeting as presented (Mr. Flynn abstained from the vote, and Mr. Esty was not present for the vote).

There being no objection, the order of the agenda was changed.

4. Areas of Interest: Leading By Example with the Department of Energy and Environmental Protection:

Mr. Kragie provided an update on the “Leading by Example Program” that is a collaborative effort between DEEP and CEFIA. He noted that the intent of the program is to reduce energy use in state buildings by 20 percent by 2018. Mr. Kragie explained three of the fundamental components of the program, including 1) bond funds; 2) performance contracting; and 3) energy monitoring and implementation. He noted that under Public Act 11-80, \$15,800,000 of funding was allocated to implement energy efficiency upgrades in state buildings. To date, approximately \$10,000,000 in funds has been committed to 44 different projects across the state. The average payback period for the projects is under 6 years. Mr. Kragie spoke about the annual energy savings. In response to a suggestion, Mr. Kragie indicated that he will follow up on energy efficiencies in the Legislative Office Building and the State Capitol.

Mr. Kragie discussed performance contracting, noting that energy efficiency upgrades would be performed without upfront capital. He spoke about the collaborative efforts amongst the various state agencies to standardize the performance contracting documents and processing. Mr. Kragie noted that the standardization gives the municipalities the confidence to do the projects. A full-time program manager will be hired to help municipalities through the process.

A discussion ensued on the behavioral elements to the program, and there was general consensus that more needs to be done with the behavioral aspects of the program in addition to more education.

Mr. Kragie talked about the energy monitoring program. He indicated that staff is working with the public utility companies to determine energy costs for state buildings. Mr. Kragie explained the targets and energy inconsistencies with some of the buildings. Questions arose as to how CEFIA can assist with its Air Permit Amnesty and Energy Efficiency Program. In response to a question, it was noted that the energy efficiency guidelines are much better. Mr. Kragie reported that the program was done entirely in-house, without the use of consultants.

5. Update from the President:

Mr. Garcia reported on the Smart-E Loan Program and mentioned that commitments are in place. A pilot test will be done in the Norwich Public Utility service territory to test

fuel conversion, equipment replacement and energy efficiency combinations. Mr. Garcia talked about the success of Solarize Connecticut, noting that the pilot results exceeded expectations. He mentioned that CEFIA was able to meet the Commissioner's challenge and reduce the payback period below six years. Mr. Garcia stated that a \$1,800,000 Department of Energy Seeds grant was secured through a Yale partnership to study the program. He indicated that installers have started to privatize the model which helps to further reduce costs. In response to a question about historic buildings, it was noted that the State Housing Preservation Office process has been improved and is becoming easier. Solarize Round 2 is serving the distressed communities of Bridgeport and Windham.

Mr. Esty mentioned that the Governor has finalized the Comprehensive Energy Strategy ("CES"). He urged CEFIA staff to help DEEP, the Energy Efficiency Board and the Connecticut Housing Finance Authority move forward with implementing the components of the CES. Mr. Esty noted the importance of having a mechanism to make loans available to everyone within the next 60 days and to have a process in place to direct customers. A discussion ensued on marketing the programs through a television campaign, Facebook, Twitter, fliers, etc. The Board asked staff to provide a summary of the programs which includes the financial impacts to the State.

6. Deployment Committee Updates and Recommendations for Approval:

a. Connecticut Solar Lease 2—Investment Update

Mr. Hunter provided an update on the Connecticut Solar Lease 2 program, noting that great progress has been made to launch the program in mid-April. A significant amount of private capital will be raised. Mr. Hunter noted that this is the first ever leveraged residential lease program utilizing a syndicate of banks. He spoke about being able to provide loans to homeowners with FICO scores of 640 or more. Mr. Hunter reviewed the terms and conditions under the program as well as the tax benefits, cash returns and performance-based incentives. He explained the benefits and ultimate recovery of ratepayer funds. Staff was commended for creating a more inclusive program and being able to reach homeowners with FICO scores as low as 640. A discussion ensued on the importance of marketing the program to ensure geographic and demographic diversity. Suggestions were made to use public service announcements.

Mr. Hunter discussed the Solar Loan Program. He noted that staff anticipates launching the program in the next several days. Mr. Hunter mentioned that CEFIA is in the process of finalizing the Special Purpose Vehicle with CI.

b. Residential Solar Investment Program

Mr. Hedman discussed the Residential Solar Investment Program. He explained the program capacity targets approved in December 2012 and the proposed additional changes. Mr. Hedman mentioned that Step 3 for the Performance Based Incentive (“PBI”) is scheduled to start no later than April 1, 2013 and will make the PBI comparable with the rebate incentive. He noted that the Deployment Committee reviewed staff’s recommended changes and requested that the resolution include language about the termination of the step.

Upon a motion made by Ms. Glover, seconded by Ms. Dixon-Peay, the Board members voted unanimously in favor of adopting the following resolution regarding the Residential Solar Investment Program:

WHEREAS, Section 106 of Public Act 11-80 “An Act Concerning the Establishment of the Department of Energy and Environmental Protection (“DEEP”) and Planning for Connecticut’s Energy Future” (the “Act”) requires the Clean Energy Finance and Investment Authority (“CEFIA”) to design and implement a Residential Solar Photovoltaic (“PV”) Investment Program (“Program Plan”) that results in a minimum of thirty (30) megawatts of new residential PV installation in Connecticut before December 31, 2022; and

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared a Program Plan and a declining incentive block schedule (“Schedule”) that offer direct financial incentives, in the form of Performance-Based Incentives (“PBI”) (i.e. lease model) and Expected Performance-Based Buy-Down incentives (“EPBB”) (i.e. rebate model), for the purchase or lease of qualifying residential solar photovoltaic systems; and

WHEREAS, the Deployment Committee has reviewed and recommended for approval to the Board of Directors a PBI for Step 3 of the Schedule be established at \$225 a megawatt-hour (MWh) for a six-year period.

NOW, therefore be it:

RESOLVED, that the Board of Directors approves a PBI for Step 3 of the Schedule be established at \$225 a megawatt-hour (MWh) for a six-year period.

RESOLVED, the Step 3 incentive shall immediately terminate when (1) committed capacity has been reached for the PBI Step 3 incentive schedule of the EPBB Step 3 incentive schedule, respectively or (2) December 31, 2013, whichever comes first.

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

7. Audit, Compliance and Governance Committee Update:**a. *Legislative Session Update***

Mr. Garcia mentioned that CEFIA is working with DEEP on a number of initiatives and has met with the Appropriations Committee; Finance, Revenue and Bonding Committee and Black and Puerto Rican Caucus. Mr. Goldberg mentioned that a forum was held with the Energy and Technology Committee to discuss CEFIA and its legislative priorities, including commercial and industrial property tax exemption and on-bill financing. There was a discussion about the language in Senate Bill 949, "An Act Establishing Commercial and Industrial Property Tax Exemptions for Clean Energy Projects," that expands the definition of clean energy. Attorney Farnen discussed some of the proposed legislation before the Energy and Technology Committee. A discussion ensued on Raised Bill 949, extending Project 150 projects. Several Board members expressed opposition with the bill because they are not in support of open-ended commitments.

8. Technology Innovation Committee Updates:

Ms. Stevenson provided an update on the Operational Demonstration Program, referencing the two projects recently approved by the Board. The contracts for both projects are being finalized and one of the projects received pre-seed funding from CI. Ms. Stevenson mentioned that CEFIA is moving forward with the transition of the programs to CI. Staff was commended for working in collaboration with CI on the transition of the programs.

9. Budget and Operations Committee Updates:

Mr. Dykes reported on behalf of the Budget and Operations Committee and mentioned that both the Rocky Hill and Stamford offices are being finalized. The Rocky Hill office is on track for opening in early April. He mentioned that Kerry O'Neill has been hired as the Director of Residential Programs, and an offer has been made for the Director of Institutional Programs position. Mr. Dykes stated that the draft budget for fiscal year 2014 will be presented to the Budget and Operations Committee in April. It is anticipated that a final budget will be presented to the Board for approval in June.

10. Other Business:

Mr. Hunter discussed the proposed contractor working capital loan or guarantee program. He explained that after discussions with private capital partners, CEFIA recommends the establishment of a \$5,000,000 contractor working capital/guarantee program. Mr. Hunter described how the program could address some of the issues with the small business contractors. He indicated that the program would be rolled out with a state agency or through one or several local banks that have state-wide networks. In response to a question, Attorney Farnen indicated that the proposed resolution provides staff with a fair amount of flexibility. The Board asked questions about risks, exposure

and experience of losses with similar programs in other agencies. Staff indicated that CEFIA will not be providing the loans and risk is associated with completion of the projects by installers which are familiar to CEFIA. A suggestion was made to amend the resolution to include language that requires an evaluation of the program within a year.

Upon a motion made by Ms. Glover, seconded by Ms. Dixon-Peay, the Board members voted unanimously in favor of adopting the following resolution regarding the Working Capital Loan/Guarantee Program:

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”), CEFIA is directed to, amongst other things, develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine; and

WHEREAS, CEFIA seeks to establish a \$5,000,000 working capital loan/guarantee program in support of the Smart-E Loan, Solar Loan and Solar Lease programs; and

WHEREAS, this working capital loan/guarantee program will support such programs for homeowners to promote deep energy efficiency retrofits, renewable energy deployment, and fuel equipment conversions in single-family homes across the state, in line with Public Act 11-80, the State’s Draft Comprehensive Energy Strategy and CEFIA’s Strategic Plan.

NOW, therefore, be it:

RESOLVED, that CEFIA’s Board of Directors authorizes the establishment of a \$5,000,000 working capital loan/guarantee program for the benefit of contractors participating in the Smart-E loan, Solar Loan and Solar Lease programs.

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 \$5,000,000 working capital loan/guarantee program with terms and conditions consistent with the memorandum submitted to the Board of Directors dated March 8, 2013 titled “Solar Loan, Solar Leases & Smart-E Loan Programs--\$5,000,000 Contractor Working Capital Loan or Guarantee Program.”

RESOLVED, that CEFIA staff will report back to the Board within one year on the status and progress of the working capital loan/guarantee program.

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.

11. Adjournment: Upon a motion made by Mr. Flynn, seconded by Ms. Glover, the Board members voted unanimously in favor of adjourning the March 15, 2013 meeting at 10:55 a.m.

Respectfully submitted,

Catherine Smith, Chairperson