CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, May 17, 2013

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority ("CEFIA")** was held on May 17, 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 10:06 a.m. Board members participating: Mun Choi; Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection ("DEEP"); Norma Glover; Sharon Dixon-Peay, State Treasurer's Office (by phone); John Olsen (by phone); Matthew Ranelli; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development ("DECD"); and Patricia Wrice (by phone).

Members Absent: Tom Flynn; and Reed Hundt.

Staff Attending: Jessica Bailey (by phone), George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter (by phone), Kerry O'Neill, Cheryl Samuels, Shelly Mondo, and Kimberly Stevenson.

Others Attending: Alex Kragie, DEEP; and Denise Farrell.

2. Public Comments:

There were no public comments.

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

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

> **Upon a motion made by Mr. Choi, seconded by Mr. Ranelli, the Board members voted in favor of adopting the minutes from the March 15, 2013 meeting as presented.**

4. Update from the President:

Mr. Garcia spoke about the ribbon cutting ceremony for the Bridgeport fuel cell project. He noted all of the components of the project and support the project received over the last several years. Mr. Garcia mentioned some of the economic benefits the project will bring to Connecticut, including approximately 140 jobs in manufacturing, construction and servicing. The Board acknowledged the staff, the Governor, the legislature and Ms. Jessie Stratton for their support of the project.

Mr. Garcia mentioned that staff has transitioned into the new offices at 845 Brook Street, Building #2, Rocky Hill. Additionally, the office in Stamford has also opened at 300 Main Street, 4^{th} Floor. Mr. Garcia introduced Kerry O'Neill who was recently hired as Director of Residential Programs. He mentioned that Andy Brydges has been hired as Director of Institutional Programs and will begin June 10.

A discussion ensued on the significant costs of energy in state buildings and in particular for higher education. The University of Connecticut will be asked to set energy efficiency targets that align with the state, find funding for energy efficiency measures and ultimately reduce consumption.

Mr. Goldberg provided an update on legislation that could impact CEFIA. He reported on a commercial property tax exemption bill for renewable energy sources that was passed by the Senate and Committee on Appropriations. Mr. Goldberg explained that there would likely be an amendment called seeking to replace the mandate with an optional exemption. It was noted that if there has to be a compromise with the bill, consideration should be given to a phase-in or a three-year window.

Mr. Goldberg mentioned that staff has been working with legislators to draft legislation that expands upon the existing law for on-bill repayment.

Mr. Goldberg reported on the Commercial Property Assessed Clean Energy ("C-PACE") Program. He explained that the bill adds district heating and cooling and solar thermal or geothermal system projects to the improvements to be financed under the C-PACE Program. Mr. Goldberg further clarified that Solar Thermal and Geothermal already are eligible through CPACE and CEFIA's clean energy definition. The bill defines district heating and cooling systems and CEFIA seeks to expand the language to provide the opportunity to support microgrid and other community energy projects. Mr. Goldberg mentioned that staff is also working to try to amend the C-PACE legislation to authorize municipalities to put liens in place before completion of construction. He mentioned that an informal C-PACE forum will be held at the Legislative Office Building with the YMCAs, YWCAs and Boys and Girls Clubs to discuss high energy costs in buildings and the potential savings for the non-profit entities.

Mr. Garcia provided an overview of the Smart-E Loan Program that is being launched with $2,500,000 of credit enhancements from the American Recovery and Reinvestment Act—State Energy Program funds. These funds will be used to attract $28,000,000 of private capital from community banks and credit unions for residential homeowners to install various clean energy technologies that are consistent with the implementation of the Comprehensive Energy Strategy. He noted that the Smart-E Loan offers below market and not to exceed interest rates and longer terms including twelve years that provides households with an opportunity to receive positive cash flow benefits from undertaking various measures and that the debt service payments will be lower than the energy savings on a monthly basis. He noted that more and more capital providers are being attracted into the Smart-E Loan program each week and that contractor trainings are now beginning. The Board asked for quarterly updates on the performance of the Smart-E Loan program to ensure that the financing model is working as anticipated. Mr. Garcia mentioned that the systems CEFIA is putting in place will track data provided by the participating lenders on loan volume and repayment performance and collect the energy usage information of participating homeowners to show whether or not homeowners are realizing the savings estimated from the measures financed through the Smart-E Loan. Mr. Garcia spoke about some of the philosophical differences CEFIA is having with the utility companies, specifically CL&P, about access to customer usage data and requirements to participate in Home Energy Solutions or Home Performance with Energy Star. . CL&P has stated in the past that asking homeowners for usage data would create a barrier to participation in the Smart-E Loan program and create unnecessary program expenses. Mr. Esty expressed a desire to collect and analyze usage data to help determine the overall performance of the program and substantiate savings to the customer. Several Board members and staff concurred that the Home Energy Solutions Program is a good program. There was a concern expressed by Mr. Olsen that the Smart-E Loan program would be limited to a small set of contractors as opposed to being made accessible by all trained contractors. There was general consensus from the Board that homeowners should be able to use any qualified contractors and not necessarily constrained to use those contractors from the Home Energy Solutions and Home Performance with Energy Star Programs – and that the Smart-E Loan program should be an open market solution to accessing private capital. These two items should be conveyed to the public utilities and CEEF. Ms. O'Neill added that two other areas of philosophical difference included quality assurance inspections for financed jobs and the treatment of loan application fees by participating lenders. There was general consensus from the Board on the Smart-E product approach and it was determined that a resolution was not necessary at this time; but that if these issues persist, a formal resolution will be drafted for the Board to consider. The Board requested that Mr. Garcia move forward expeditiously with launching and implementing the Smart-E Loan.

5. <u>Connecticut Solar Lease 2—Update</u>:

Mr. Hunter provided an update on the Connecticut Solar Lease 2 program. Since the last meeting, the term sheet with US Bank has been signed for $23,800,000 in tax equity. He mentioned that the original commitment from the bank syndicate of debt providers has been reduced from $28,200,000 to $26,700,000 to ensure adequate debt service coverage and liquidity. Mr. Hunter mentioned that an insurance consultant has been retained to help seek appropriate insurance for the program. Staff is looking into possible credit/performance enhancement insurance. Mr. Hunter spoke about some of the steps staff is taking to ensure the Solar Lease 2 Program is even better than the Solar Lease 1 Program and a model for other programs around the nation. He noted that launching the program has taken longer than originally anticipated because of the complexities with the commercial component. The closing is anticipated to occur during the week of June 10, and Mr. Hunter mentioned that it may be necessary to convene a special meeting of the Board if issues arise.

6. **Discussion of Fiscal Year 2014 Budget:**

Mr. Garcia mentioned that the Budget Committee reviewed the draft fiscal year 2014 budget and will be meeting again during the week of June 10 to continue discussions on the proposed budget. A special meeting will be held with the Board during the first week of June to review the fiscal year 2013 program performance compared with the Comprehensive Plan, and the final proposed fiscal year 2014 budget will be presented to the Board for consideration at the meeting scheduled for June 21.

Mr. Dykes summarized the discussions held during the May 9, 2013 Budget Committee meeting. He mentioned that the Budget Committee asked staff about the programs that are working and those that are not before making a decision on how to allocate resources for the fiscal year 2014 budget. The Budget Committee also asked for more details on targets and timelines and metrics to define successes for each of the programs. More specific information relative to staffing and programs was also requested by the Budget Committee members. Mr. Dykes noted that all Board members will be invited to attend the special Budget Committee meeting that will be scheduled for the second week in June. The Board asked staff questions about outstanding/contingent obligations of CEFIA and a strategy and timeline for handling the outstanding commitments. Mr. Garcia and Attorney Farnen stated that the only outstanding Project 150 commitment is to the Bridgeport Fuel Cell project. Attorney Farnen explained that the closed out Project 150 applicants that received approval for funding several years ago were not able to provide any evidence that the representations, warranties and targets in the contracts for the respective projects are still correct; and therefore the contracts were terminated.

The Board noted the importance of understanding the longer-range plans for all of the programs and how the investments will be made to the programs long term.

Mr. Garcia spoke about the new concept for estimating the market potential and establishing stretch goals through the use of new tools including Total Available Market (TAM) and Serviceable Available Market (SAM). The Board acknowledged staff for the accomplishments made and challenges overcome during the last year.

7. **Other Business:**

There was no other business to discuss.

8. Adjournment: Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board members voted unanimously in favor of adjourning the May 17, 2013 meeting at 11:03 a.m.

Respectfully submitted,

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Catherine Smith, Chairperson