CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, May 18, 2012

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the "CEFIA")** was held on May 18, 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 9:05 a.m. Board members participating: Mun Choi; Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection; Norma Glover; Donald Kirshbaum, 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; and Patricia Wrice.

Staff Attending: Mackey Dykes, Brian Farnen (by phone), Loyola French, Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Andrea Mancini, Shelly Mondo, Cheryl Samuels, Kim Stevenson and Bob Wall.

Others Attending: Jessica Bailey, the Rockefeller Brothers Fund; Katie Dykes, Department of Energy and Environmental Protection; Teddi Ezzo, Department of Energy and Environmental Protection; Jamie Howland, Environment Northeast; Henry Link, EnviroEnergy; Tyra Peluso, Northeast Utilities; Michael Trahan, Solar Connecticut; and Shinu Thomas, PTE Energy.

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

2. **Public Comments:**

There were no public comments.

3. **Approval of Minutes of Meeting of March 16, 2012:**

Ms. Smith asked the Board to consider the minutes from the March 16, 2012 meeting.

> **Upon a motion made by Mr. Choi, seconded by Mr. Hundt, the Board members voted in favor of adopting the minutes from the March 16, 2012 meeting as presented (Mr. Esty and Ms. Wrice were not present for the vote).**

4. Update from the President:

Mr. Garcia reported on the site visit to the Colebrook wind project. He mentioned that the Connecticut Clean Energy Fund ("CCEF") provided a $500,000 predevelopment loan for the south side of the project, and siting council approval has been received for a portion of the project. It was noted that the development would be one of the largest taxpayers in Colebrook, and the project will create construction and permanent jobs in Connecticut. Mr. Garcia mentioned that in accordance with Section 127 of Public Act 11-80, the developer is currently in discussion with the electric distribution company about entering into a joint ownership agreement. Mr. Hedman explained the terms of the loan provided by CCEF. In response to a question, Mr. Hedman indicated that the loan closed, and the developer received all of the loan proceeds to develop the project.

Mr. Garcia mentioned that CEFIA partnered with the Renewable Energy and Efficiency Business Association and the Connecticut Bankers Association to sponsor a matchmaking forum which was held on May 3 at the Stamford Hilton to bring end-users, developers, and financiers together. Commissioner Howard Pitkin provided a keynote address to the nearly 350 attendees. Mr. Garcia noted that one of the items discussed was CEFIA's transition from Onsite Distributed Generation to the Zero Emissions Renewable Energy Credit ("ZREC") and Low Emissions Renewable Energy Credit ("LREC") markets. Also discussed at the forum was Commercial Property Assessed Clean Energy ("PACE"), tax equity and residential clean energy financing programs currently in development by CEFIA.

In response to a question about the status of Commercial PACE, Mr. Garcia indicated that the Executive Director of the Connecticut Bankers Association supports C-PACE, and efforts are continuing to get the policy approved by the legislature.

5. Technology Innovations Committee Updates and Recommendations for Approval:

Mr. Choi, Chairperson of the Technology Innovations Committee, provided an update. The membership of the committee consists of Ms. Glover, Mr. Kirshbaum or another representative from the State Treasurer's office, and Mr. Choi. The committee was formed to evaluate the existing CEFIA programs and former CCEF programs and determine whether to 1) maintain the programs, 2) phase the programs out or 3) transition the programs to another agency. Although most of the programs are successful, Mr. Choi noted that the guiding principle was to determine whether the programs meet the new mission of CEFIA. Currently, the focus of the transition efforts is on the Alpha and Operational Demonstration Programs, and the projects in those pipelines. Mr. Choi stated that CEFIA staff is working to transfer the management of pending projects in these programs to CI. However, CI has different program terms, and staff is in the process of determining the best way to transition the programs. Mr. Garcia explained some of the issues being discussed with CI and noted that staff understands the importance of moving forward as quickly as possible to get the projects in the pipeline funded. There was general consensus from the Board to have the projects transferred to CI. In response to a question, Mr. Garcia explained that there is approximately $3,000,000 in program and technical support that would potentially be transferred to CI (four potential projects in the Alpha Program portfolio, at $200,000 each, and four potential projects in the Operational Demonstration Program portfolio, at $500,000 each in addition to funding for management support). A question arose as to who would receive the financial returns for successful projects. Ms. Smith asked staff to work out this issue so that it is fair for everyone.

Mr. Choi mentioned that the Technology Innovations Committee reviewed the Alpha Program finalists that responded to the March 2011 Request for Proposals ("RFP") and will convene to vote on funding approval subject to clarity on the terms under which these projects will be transferred to CI for management. Staff was encouraged to work out the issues with CI in an expeditious manner so that these projects can be funded quickly. Ms. Stevenson explained that over the past two years, the new Alpha and Operational Demonstration Program RFP, evaluation and due diligence processes have filtered a pipeline of approximately 200 inquiries, prospects and applications down to the eight pending Alpha and Op Demo proposals (four pending Alpha proposals being recommended for funding approval and four potential Op Demo proposals currently in due diligence). She noted that there were some delays in the process as a result of the transition from CCEF to CEFIA.

Mr. Choi stated that the Technology Innovation Committee also reviewed the proposal for funding for an evaluation of the ground source heat pump incentive programs that were run in parallel by CEFIA and the Energy Efficiency Fund ("EEF"). He explained that the Technology Innovation Committee's recommendation to fund (as opposed to an approval of funding by the committee) the study was based upon CEFIA's general counsel indicating that Board approval is in accordance with state procurement laws and procedures, and CEFIA's General Counsel has provided a memorandum to that effect. It was noted that the EEF issued an RFP for the consultant and followed appropriate competitive procurement processes.

Mr. Ljungquist explained the request by the EEF to have CEFIA participate in a study of the ground source heat pump systems installed in Connecticut under the incentive programs. He mentioned that staff agreed verbally to split the costs, and in January 2012, the consultant selected through EEF's normal selection process, KEMA/NMR, submitted a final work plan and estimated costs of $337,885 to complete the study. CEFIA's share of the costs is $168,942.50. Mr. Ljungquist talked about the objectives of the program evaluation: understanding the costs and benefits of GSHP systems in Connecticut, determining whether the technology is an effective renewable energy source, and evaluating the design of the incentive programs. It was noted that CEFIA's share of the cost is approximately 3 percent of the total $5,000,000 of American Recovery Reinvestment Act ("ARRA") funding that was available for the Geothermal Program. In response to a question, Mr. Ljungquist indicated that funding for the program evaluation will come from CEFIA funds since all of the $5,000,000 of the ARRA funding for the Geothermal Program has been spent. In the future, staff was asked to consider earmarking funding early in the process for program evaluation and to also include reporting requirements.

The Technology Innovation Committee had expressed some concern about the work being performed before the Board approved funding for the consultant, but counsel has determined that approval could be given for funding activities subsequent to this Board meeting. A discussion ensued on the differences between staff and the Board making certain decisions; there was general consensus that the Board should be making the critical decisions, and that staff should not make commitments which could exceed their authorization levels prior to obtaining Board approval.

Upon a motion made by Mr. Olsen, seconded by Mr. Kirshbaum, the Board voted unanimously in favor of adopting the following resolution authorizing funding for Ground Source Heat Pump program evaluation:

RESOLVED:

(1) that the Clean Energy Finance and Investment Authority ("CEFIA") has determined that funding for a Ground Source Heat Pump Program Evaluation ("Project") is consistent with CEFIA's Comprehensive Plan and in the interests of the ratepayers;

(2) that funding be approved for the Project expenses incurred subsequent to Board approval of this request, up to 50 percent of the Project's expected cost, in an amount not to exceed ONE HUNDRED SIXTY-EIGHT THOUSAND NINE HUNDRED FORTY-TWO and 50/100 Dollars ($168,942.50);

(3) the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver, not later than May 31, 2012, any contract or other legal instrument necessary to effect the funding for the Project on such terms and conditions as he or she shall deem to be in the interests of CEFIA and the ratepayers; and

(4) 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.

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6. <u>Deployment Committee Updates and Recommendations</u>:

Mr. Hundt, Chairperson of the Deployment Committee, mentioned that the Deployment Committee met several times since the last Board meeting. He asked Mr. Garcia to provide an update on the Onsite Distributed Generation ("OSDG") Program. Mr. Garcia noted that the OSDG program was a big part of CCEF. Under the OSDG Program, incentives were provided to end users to support installed solar photovoltaic, fuel cells and other behind the meter technologies. Since the state will be moving to the larger ZREC and LREC programs administered by the electric distributions companies and the Department of Energy and Environmental Protection, CEFIA is transitioning out the CCEF's OSDG programs. CEFIA's Comprehensive Plan includes funding for several transition programs, including the OSDG program. Mr. Garcia stated that included in the Comprehensive Plan is $4,500,000 to support a ZREC-like transition program (Solar PV). He mentioned that $1,500,000 of the $4,500,000 is available for projects less than or equal to 100kW and $3,000,000 is available for projects greater than 100kW and less than 250 kW. Additionally, $3,500,000 is available to support the LREC-like transition program (fuel cell and other low emissions technologies). Mr. Garcia mentioned that the Deployment Committee reviewed staff's recommendations and authorized incentives of $3,000,000 for 7 projects of between 100 and 250 kW each, totaling 1.7 megawatts of installed capacity. Additionally, the Deployment Committee approved 2 fuel cell projects with total installed capacity of 1.00 megawatts at $1,500,000 of incentives. Decisions to move forward on the projects less than 100 kW are forthcoming. Mr. Hedman briefly reviewed each of the projects approved by the Deployment Committee, which include:

- Stop & Shop Supermarket, Goodwives Shopping Center, Darien, 213.0 kW, $406,155 incentive.
- John C. Mead School, Ansonia, 226.3 kW, $338,906 incentive
- The Eagle Leasing Company, Orange, 135.5 kW, $221,166 incentive
- Galleria Design Center – Stone Resources, LLC, Middletown, 216.5 kW, $585,495 incentive
- Lake Gaillard Treatment Plant, North Branford, 273.4 kW, $681,908 incentive
- Firestone Building Products, Bristol, 108.0 kW, $313,000 incentive
- RHAM High School, Hebron, 154.3 kW, $250,300 incentive
- Macy's Distribution Warehouse , Cheshire, 600 kW $913,121 incentive
- Western CT State University, Danbury, 400 kW, $1,506,645 incentive

Mr. Hedman explained how the incentive is calculated and the total costs for the projects. The details of the calculations were provided at the Deployment Committee meeting. In response to a question, Mr. Hedman noted that CEFIA considers the gap needed to make a project economically viable, but also tries to determine the costs of electricity and thermal energy being avoided.

Mr. Hundt discussed the Residential Solar Investment Program. He mentioned that the Deployment Committee voted 3 in favor and 1 opposed to the recommended changes to the program. Since the program was launched on March 2, 2012, staff has had time to analyze the results of the program and determined that over 90 percent of the applications being submitted are rebates versus 10 percent for the performance based incentives ("PBI"). Mr. Hundt explained the two competing business models under the program. He mentioned that CEFIA plans on transitioning to a loan product model, and noted that Mr. Hedman has begun developing such a program.

Mr. Hundt reviewed the recommended changes to the program that were reviewed by the Deployment Committee and include: 1) separating the two competing incentive models so firms competing within each model compete against each other; 2) establishing fixed volumes of installations for each incentive model by a certain date, whichever is first (will require $5,000,000 of additional allocation); 3) maintain the PBI at $0.300/kWh and reducing the rebate to $2.275/W instead of $2.100/W to maintain "comparable economic incentives"; and 4) initiating discussions with firms about a workable loan product model in addition to grants. Mr. Hundt explained that with the new information available, staff tried to determine how to create approximately the same cash incentives for both business models. He noted that Section 106 (c)(5) of P.A. 11-80 states ". . . and (5) provide comparable economic incentives for the purchase or lease of qualifying residential solar photovoltaic systems." He stated that with the net present value calculations, staff can make better comparisons. Mr. Ranelli explained why he was questioned the change to the incentive for the rebate model at step 2. He noted that the responses for the rebate model in step 1 exceeded expectations. Staff was asked whether further adjustments should be made under the PBI model to encourage more participation. Mr. Garcia explained that a majority of the third-party and lease providers have been hesitant to participate because of the desire for a longer-term commitment. He stated that Mr. Hedman is working on developing a financing model and discussions will continue with the industry to encourage participation. The Board discussed the importance of attracting private capital, getting more third party providers involved and providing some stability for the market.

Mr. Garcia reviewed the proposed terms of the resolution. After discussion, several other changes were suggested.

Upon a motion made by Ms. Glover, seconded by Ms. Wrice, the Board voted in favor of adopting the following resolution revising the Residential Solar PV Investment Program (Mr. Ranelli abstained from the vote):

RESOLUTION:

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 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.

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") or expected performance-based buydowns ("Rebate"), for the purchase or lease of qualifying residential solar photovoltaic systems.

WHEREAS, the Deployment Committee recommends to the CEFIA Board of Directors (the “Board”) to revise Step 2 of the Schedule to (1) address the findings from the program data obtained since approval of the original incentive schedule, (2) address changes in the solar market ascertained since approval of the original Schedule which would affect the expected return on investment for a typical residential PV system under the PBI model by twenty percent or more, and (3) ensure that third party financing companies enter the market to help serve the low and middle income markets.

NOW, therefore, be it:

RESOLVED, that the Board approves the revised Schedule of Incentives as recommended by the Deployment Committee.

RESOLVED, that the Board approves a Step 2 budget increase of $5,000,000 to a total of $10,000,000.

RESOLVED, that at the point of the Step 2 of the Schedule where 1.6 MWs of committed capacity is reached, or earlier if staff deems it appropriate, for either the PBI or the Rebate models, CEFIA staff will analyze the date of the performance of the Program Plan and make a recommendation to the Deployment Committee on the Step 3 funding allocation and incentive level.

RESOLVED, that by (a) the point of the Step 2 incentive where 2.0 MW of committed capacity is reached for either the PBI or the Rebate models or (b) January 15, whichever comes first, the Board will approve a Step 3 incentive and inform residential solar installers 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.

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7. Audit Compliance and Governance Committee Updates and Recommendations for Approval:

Mr. Olsen, Chairperson of the Audit Compliance and Governance Committee (“Audit Committee”), mentioned that the Audit Committee met on March 16 and has three recommendations for consideration by the Board. The Audit Committee recommends the appointment of Brian Farnen as the CEFIA Ethics Compliance Officer.

Upon a motion made by Mr. Olsen, seconded by Mr. Kirshbaum, the Board voted unanimously in favor of adopting the following

resolution appointing Brian Farnen as CEFIA's Ethics Compliance Officer:

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics requires the Clean Energy Finance and Investment Authority ("CEFIA") to designate an ethics compliance officer to be responsible for the development of the ethics policies, to coordinate ethics training programs and to monitor ethics policy compliance;

WHEREAS, pursuant to Section 5.3.1(vi) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee recommends Brian Farnen, General Counsel of CEFIA, as CEFIA's ethics compliance officer.

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors hereby approves Brian Farnen, General Counsel of CEFIA, as CEFIA's ethics compliance officer.

Mr. Olsen stated that the Audit Committee discussed the proposed ethics policies for both the Board and staff and questioned whether the policy should apply to Advisory Committee members. Attorney Farnen explained that it was concluded that the directors and only advisory committee members that vote on matters should be held to the Board ethical requirements. Mr. Olsen noted the importance of Board members understanding the ethics requirements. Arrangements will be made to have a representative from the Ethics Commission provide a brief presentation to the Board later in the year.

Upon a motion made by Mr. Olsen, seconded by Mr. Kirshbaum, the Board voted unanimously in favor of adopting the following resolution adopting a Board Ethics' Policy:

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the ethic compliance officer of the Clean Energy Finance and Investment Authority ("CEFIA") to develop the ethics policies of CEFIA;

WHEREAS, pursuant to Section 5.3.1 (viii) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee has reviewed and recommends to the CEFIA Board of Directors (the "Board") the attached Clean Energy Finance and Investment Authority Board of Directors and Advisory Committee Members Ethical Conduct Policy;

NOW, therefore, be it:

RESOLVED, that the Board hereby approves the attached Clean Energy Finance and Investment Authority Board of Directors' and Advisory Committee Members' Ethical Conduct Policy.

Upon a motion made by Mr. Olsen, seconded by Mr. Kirshbaum, the Board voted unanimously in favor of adopting the following resolution adopting a staff Ethics' Policy:

WHEREAS, Section 1-101rr(a) State of Connecticut Code of Ethics for Public Officials requires the ethic compliance officer of the Clean Energy Finance and Investment Authority ("CEFIA") to develop the ethics policies of CEFIA;

WHEREAS, pursuant to Section 5.3.1 (viii) of the CEFIA Bylaws, the Audit, Compliance and Governance Committee has reviewed and recommends to the CEFIA Board of Directors (the "Board") the attached Clean Energy Finance and Investment Authority Ethical Conduct Policy and Ethics Statement;

NOW, therefore, be it:

RESOLVED, that the Board hereby approves the attached Clean Energy Finance and Investment Authority Ethical Conduct Policy and Ethics Statement.

Attorney Farnen explained that CEFIA's Bylaws were modeled after CI's Bylaws, and staff would like to amend CEFIA's Bylaws to better align with CEFIA's new mission. He noted that the amended language clarifies the Deployment Committee's and Technology Innovation Committee's authority to approve funding requests that are consistent with CEFIA's new financing mission. In response to a question, Attorney Farnen stated that the cap on the authorization remains the same. Staff was asked to include language in the Bylaws indicating that authorizations are within CEFIA's approved budget.

Upon a motion made by Mr. Olsen, seconded by Mr. Kirshbaum, the Board voted unanimously in favor of adopting the following resolution authorizing the revised Bylaws of CEFIA:

WHEREAS, the Clean Energy Finance and Investment Authority ("CEFIA") Board of Directors (the "Board") approved CEFIA's Bylaws pursuant to Section 16-245n of the Connecticut General Statutes on August 3, 2011 and made subsequent revisions on September 29, 2011;

WHEREAS, the Board intends to revise the Bylaws to clarify the Deployment Committee's and Technology Innovation Committee's authority to approve funding requests consistent with CEFIA's new financing mission;

NOW, therefore, be it:

RESOLVED, that the Board hereby approves the attached revised CEFIA Bylaws dated May 18, 2012.

8. Budget and Operations Committee Updates:

Mr. Esty, Chairperson of the Budget and Operations Committee ("Budget Committee"), mentioned that the Budget Committee met on May 8. The goal at the meeting was to review the 37 CEFIA programs and initiatives to determine whether they are consistent with CEFIA's new mission and should be funded in the fiscal year 2013 budget. It was determined that 8 of the programs/initiatives should continue to be funded. At the next meeting, the Budget Committee intends to discuss metrics, identify successes, determine funding amounts and continue to refine the proposed 2013 budget before presenting it to the Board in June. Mr. Esty mentioned that the Budget Committee members discussed the projected revenues and reached consensus on a general spending plan for the next several years. The full Board will be invited to attend the next Budget Committee meeting to discuss the Comprehensive Energy Plan being developed by DEEP and the proposed budget before the budget is presented for consideration to the Board. All materials should be provided to the Board well in advance of the meeting.

9. Other Business:

The Board asked staff to provide CEFIA's balance sheet, budget to actual analysis for the current year, and other financial reports on a quarterly basis.

Mr. Garcia asked the Board to consider the adoption of the minutes from the last CCEF meeting held on June 20, 2011. Attorney Farnen opined that even though some of the current Board members were not on the CCEF Board, the minutes can be adopted by the Board as the successor agency.

> **Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board voted in favor of adopting the minutes from June 20, 2011 CCEF Board meeting as presented (Mr. Kirshbaum abstained from the vote).**

Mr. Garcia briefly provided an update on some of CEFIA's legislative priorities in this session. He stated that nothing was passed, and CEFIA will be working with the administration to attempt to move some of the key issues in the special session. There was consensus that the highest priority should be the bonding provisions and potentially Commercial PACE. For the next regular session in 2013, a suggestion was made to bring up the flaws with virtual net metering in Connecticut.

10. Executive Session:

Catherine Smith asked the Board to consider going into executive session to discuss a personnel matter.

Upon a motion made by Mr. Choi, seconded by Mr. Kirshbaum, the Board voted unanimously in favor of going into executive session at 11:00 a.m. to discuss a personnel matter.

Mr. Dykes, Mr. Garcia and Attorney Farnen were invited to remain during the executive session.

The executive session ended at 11:10 a.m., and the regular meeting was immediately reconvened and adjourned.

11. **Adjournment**: Upon a motion made by Mr. Esty, seconded by Ms. Smith, the Board members voted unanimously in favor of adjourning the May 18, 2012 meeting at 11:12 a.m.

Respectfully submitted,

Catherine Smith, Chairperson