

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

**Notes from Meeting of
Monday, June 10, 2013**

The meeting which was held at the **Clean Energy Finance and Investment Authority (the “CEFIA”)** on June 10, 2013, at the office of CEFIA, 845 Brook Street, Rocky Hill, CT began at 4:13 p.m.

CEFIA Board Members Participating: Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development; Tom Flynn (by phone); and Denise Farrell, on behalf of the State Treasurer’s Office (by phone).

CEFIA Staff Attending: Jessica Bailey (by phone), Joe Buonannata, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Kerry O’Neill, and Kimberly Stevenson.

Mr. Garcia explained the purpose of meeting is to discuss program performance during fiscal year 2013 and how CEFIA is doing in comparison with the two-year Comprehensive Plan which runs through calendar year 2014. Staff will provide presentations on the program performance, key metrics, lessons learned and quarterly targets for fiscal year 2014.

Program Performance Reviews for FY2013:

a. Commercial and Industrial Sector Programs:

Ms. Bailey provided an overview of the Commercial Property Assessed Clean Energy (“C-PACE”) program that was started by legislation passed in June 2012. She provided an overview of the program development. Ms. Bailey discussed the municipal outreach done throughout the year, noting that there are currently 44 towns on board or 55 percent of the eligible market. Ms. Bailey indicated that 56 percent of the transactions are progressing towards financing. She explained that not all are progressing because some applications are from owners who are not sure what they need. Ms. Bailey mentioned that the quality of the applications has increased from the initial applications that were outside the C-PACE scope. She reviewed the breakdown of projects between energy efficiency upgrades, renewable energy systems and both. Ms. Bailey also reviewed the breakdown by building type. Ms. Bailey mentioned that the number of megawatts deployed will increase as more transactions are closed. She stated that there are no credit enhancements in the program beyond a grant from the Department of Economic and Community Development (“DECD”) for the Bushnell Theater project in Hartford. She reviewed the lender consents to date, noting that it is anticipated that there will be more in the future with the assistance of the CEIFA finance team. Ms. Bailey noted that CEFIA is working with DECD on education and coordination and how

to bring financing opportunities directly to building owners. A suggestion was made to share projected financial information about potential returns with the owners.

Ms. Bailey reviewed the quarterly targets. Mr. Garcia mentioned that the budget will reflect the addition of staff necessary to help execute the program, including an assistant. Staff was commended for the amount of work that has been done in such a short time with C-PACE.

b. Residential Sector Programs:

Ms. O'Neill discussed the program performance for fiscal year 2013 for the residential programs (Smart-E and Cozy loans, Solar Lease, and Solar Loan). She noted that although the programs are new, staff has been successful with achieving a significant amount of leverage of private funding in a short time. Mr. Garcia mentioned that there will be a higher leverage ratio going forward as the loans are paid back. Ms. O'Neill reviewed some of the lessons learned. She noted that staff is investigating other strategies for the lower FICO band. Ms. O'Neill indicated the importance of contractor and lending training and making sure there is an understanding of CEFIA's processes and CEFIA understands the needs. She discussed the quarterly targets. Ms. O'Neill explained that the dip in the fourth quarter installations was due to seasonality and having fewer installations in the winter. In response to a question, Ms. O'Neill indicated that solar lease contractors are being trained. It was noted, however, that some installers are waiting until the program launches. Ms. O'Neill stated that there are 66 contractors and 7 lending institutions for the Smart-E Program. She indicated that there will be enough critical mass to do promotions through the banks. Mr. Garcia mentioned that the budget will reflect the addition of staff necessary to help execute the programs, including a manager and an assistant.

c. Statutory and Infrastructure Programs:

Mr. Hedman discussed the Residential Solar Investment Program ("RSIP"), the Combined Heat and Power and Anaerobic Digester Program and the Grid and Infrastructure Program. He indicated that CEFIA is close to completing the 2014 targets within this fiscal year. In total, relative to ratepayer capital, CEFIA has a target of \$21,000,000 through fiscal year 2014 and is at about \$17,700,000. The targeted private capital is \$88,600,000 through fiscal year 2014 and CEFIA is currently at \$93,800,000. The targeted megawatts deployed through 2014 are 26 and CEFIA is already at over 25 megawatts.

Mr. Hedman provided an overview of the objective function and the lessons learned. He noted that the community based programs like Solarize work well. Mr. Hedman spoke about the challenges relative to moving the Combined Heat and Power projects from a subsidy-based model to a financing-based model.

Mr. Hedman reviewed the quarterly targets for the statutory and infrastructure programs. He mentioned that CEFIA anticipates doubling the amount of residential solar projects in fiscal year 2014, doing approximately 12 megawatts of installed

capacity versus 7 megawatts of installed capacity, which is equivalent to approximately 1,700 installations. Mr. Garcia mentioned that installers have brought down the installed costs by between 10 to 15 percent, and consumer demand has increased. He indicated that CEFIA is looking at the total available market and how to further advance financing to build a sustainable market. Mr. Hunter mentioned that CEFIA is also looking at ways to advance commercial projects. He noted that combining the Solar Lease with C-PACE will show the nation that this combination will be a secure mechanism to deploy commercial solar.

d. Institutional Sector Programs:

Mr. Garcia noted that Andy Brydges has been hired to manage this sector, and it is staff's challenge to figure out CEFIA's role in this sector. Mr. Hunter indicated that \$10,000,000 has been allocated for Solar Lease, which should support about 3 megawatts of solar. Mr. Garcia explained that modest quarterly targets have been set. However, the numbers will be fleshed out and finalized with Mr. Brydges.

Comprehensive Plan Review for Fiscal Year 2013

Mr. Garcia provided an overview on progress made compared with the Comprehensive Plan. He summarized that CEFIA is doing well attracting private investment and is on target with respect to deployment. Mr. Garcia indicated that fiscal year 2014 will be focused on marketing and outreach to let the public know about CEFIA's residential and commercial programs.

Mr. Garcia provided key highlights from the proposed fiscal year 2014 budget including several key hires (a manager and assistant for the residential side, a program assistant for C-PACE, and a manager for the finance team). He mentioned that staff anticipating learning more about the MUSH market in 2014.

Mr. Garcia mentioned that the Technology Innovations programs (Operational Demonstration and Alpha) have been transitioned to Connecticut Innovations for management. Workforce development programs have been transitioned to United Illuminating. Mr. Garcia reiterated that CEFIA has structured its staff to be focused on financing the deployment of commercially available technology. Mr. Garcia discussed the revisions to the Clean Energy Communities Program to support the new direction of CEFIA with respect to deployment and financing.

Mr. Dykes discussed the outstanding commitments prior to July 1, 2012 in comparison with existing outstanding commitments. He summarized that approximately \$15,000,000 in outstanding commitments has been cleared out. CCEF's 37 programs have been reduced to 4 CEFIA programs.

Mr. Garcia mentioned that the Budget and Operations Committee will be meeting tomorrow, June 11, to finalize the fiscal year 2014 budget; and it is anticipated that the budget will be forwarded to the Board for consideration at the June 21 Board meeting.

In response to a question raised by Ms. Smith about the potential significant increase in growth, Mr. Garcia indicated that he feels confident with the senior staff has an unwavering commitment to getting things done and that the focus is on execution for FY 2014.

The meeting was adjourned at 5:10 p.m.