

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Special Meeting
Wednesday, June 20, 2012

A special meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on June 20, 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 8:45 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; Donald Kirshbaum, State Treasurer’s Office; John Olsen; Matthew Ranelli (by phone); Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (“DECD”); and Patricia Wrice.

Member Absent: Reed Hundt.

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen (by phone), Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Andrea Mancini, Shelly Mondo, and Bob Wall.

Others Attending: Chris Bernard, Northeast Utilities; Eric Brown, Connecticut Business & Industry Association; Teddi Ezzo, DEEP; Alex Kragie, DEEP; and Henry Link, EnviroEnergy.

Ms. Smith introduced and welcomed Bert Hunter, CEFIA’s Executive Vice President and Chief Investment Officer, who joined CEFIA on May 31, 2012.

2. **Public Comments:**

There were no public comments.

3. **Approval of Minutes of Meeting of May 18, 2012:**

Ms. Smith asked the Board to consider the minutes from the May 18, 2012 meeting.

Upon a motion made by Ms. Glover, seconded by Mr. Esty, the Board members voted in favor of adopting the minutes from the May 18, 2012 meeting as presented (Mr. Ranelli and Ms. Wrice were not present for the vote).

4. Update from the President:

Mr. Garcia thanked the Board members for filing the Statement of Financial Interests with the State Ethics Commission on or before the due date. CEFIA received a certificate of excellence from the State Ethics Commission for 100 percent ethics compliance. Mr. Garcia thanked Brian Farnen and Loyola French for overseeing the process.

Mr. Garcia mentioned that a tour of the 37.5 megawatt Plainfield biomass renewable energy project that was funded under Project 150 is being organized for July 9. Invitations and more details will be provided. Mr. Hedman, Mr. Olsen and Ms. Glover were acknowledged for keeping the project moving forward. Mr. Esty noted the Governor's commitment to a portfolio approach, including biomass. Staff was asked to provide a one to two page summary of the project. Mr. Olsen agreed to help with the summary of the project.

Mr. Goldberg provided highlights from this year's legislation session. He acknowledged the great working relationship with DEEP, DECD and other energy providers and stakeholders in the State. Mr. Goldberg noted that there were a number of legislative items on the agenda for the regular session that did not get passed during the regular session. However, approximately 6 of the items were addressed in the special session. Mr. Goldberg stated that CEFIA got clarity on its quasi-public agency status, clarity of the definition of "Clean Energy" for CEFIA, clarity on the process for issuing bonds, access to the Special Capital Reserve Fund ("SCRF") up to \$50,000,000, to attract cheaper sources of funding, and Commercial Property Assessed Clean Energy ("C-PACE") was approved. He recognized the team effort to get C-PACE and other important legislation passed. Mr. Goldberg mentioned that during the session, legislation was passed to extend Project 150 contracts for certain reasons and modifications were made to the combined heat and power and anaerobic digester program. Mr. Goldberg acknowledged and thanked Jessica Bailey from the Rockefeller Brothers Fund for her expertise and efforts to educate everyone about C-PACE. Ms. Bailey will be helping to establish the best practices and will be assisting with implementing the program.

Mr. Wall discussed the "Energize Connecticut" marketing campaign. CEFIA worked with DEEP, the Connecticut Energy Efficiency Fund ("CEEF"), consultants and the electric and natural gas companies to develop a statewide energy marketing campaign for Connecticut. A Request for Proposals was issued to find a consultant to help create a campaign brand, public relations and outreach strategy and a unified Website for all consumers to take more aggressive action with respect to energy efficiency and renewable energy. A national team partially Connecticut-based was selected. The campaign name of "Energize Connecticut" was chosen. Mr. Wall mentioned that the team is in the process of developing a Website that unifies statewide energy efficiency and renewable energy programs. In response to a question, it was noted that CEFIA is

paying approximately $\frac{1}{4}$ of the marketing campaign, and CEEF is paying approximately $\frac{3}{4}$ of the marketing campaign. The funding commitments are in proportion to the mill rates assessments to each of the respective funds. Mr. Esty spoke about the Governor's commitment to energy efficiency and renewable energy and the importance of having a unified focus. He mentioned that the state's energy campaign was unveiled by Governor Malloy at the Northeast Energy Efficiency Partnership Summit that was held in Stamford on June 14.

Mr. Wall provided an update on "Solarize Connecticut," a pilot program launched this month to help bring competitively priced solar photovoltaic systems to homeowners in Connecticut. The program was developed based on the residential aggregation model to bring down the cost of solar PV when residents sign up for a pre-selected installers' offering. A funding partnership between the John Merck Fund and CEFIA, will support SmartPower (a 501(c)3 non-profit organization) to implement the program. Mr. Wall stated that the ultimate goal is to extend the program throughout the northeast, and the near term goal is to target 100 towns in Connecticut that participate in the Clean Energy Communities Program. Four municipalities will be selected to implement the first phase of the pilot program in 2012, and four more communities will be selected for the second phase of the pilot in early 2013. It was noted that the program has been successful in both Oregon and Massachusetts.

5. Budget and Operations Updates and Recommendations for Approval:

Mr. Esty, Chairperson of the Budget and Operations Committee ("Budget Committee"), provided the committee report. He indicated that the Budget Committee met on June 15, 2012 to review the proposed budget for 2013. In addition to Budget Committee members, Mr. Esty recognized and thanked other Board members for attending and participating in the budget discussions.

Mr. Dykes mentioned that the Budget Committee recommended changes to CEFIA's Purchasing and Accounts Payable Policies and Procedures that were adopted by the Board in December 2011. He explained that the changes in the policies and procedures give the Chief of Staff signatory authority to approve items such as office furniture, fixtures and equipment; subscriptions and reference materials; computer equipment and software; and approval of invoices for finance assistance up to \$25,000. In addition to the President & Chief Executive Officer and/or Vice President of Finance and Administration, the Chief of Staff would also have the authority to approve finance assistance equal to or above \$25,000. Mr. Dykes explained that having the additional authorized signatory will help manage the day-to-day activities and provide more flexibility when Mr. Garcia is out of the office. He mentioned that as recommended by the Budget Committee, this issue was discussed with Marcum LLP, CEFIA's outside auditor; and Marcum indicated that this revision does not weaken controls for CEFIA.

A suggestion was made, as an added precaution, to implement a process that provides confirmation with the signatory and possibly the chair and/or vice chair of the Board,

about the document(s) being executed. Staff was asked to work with the outside auditors and make a recommendation to the Board.

Upon a motion made by Ms. Smith, seconded by Ms. Glover, the Board members voted unanimously in favor of accepting the recommendation of the Budget Committee to approve the amendments to CEFIA Policy 101—Purchasing and Accounts Payable Policies and Procedures as presented.

Mr. Esty discussed the proposed budget for fiscal year 2013. He mentioned that 4 out of 37 CEFIA's programs will be continued in 2013. Mr. Dykes stated that as requested by the Budget Committee, an overview for each of the 4 continued CEFIA programs was provided and includes the purpose of the program, the staff assigned to the program, the budget for the program, and the goals of the program. With this information, Mr. Esty indicated that the Budget Committee will be able to more closely track each of the programs. It was noted that not included in the budget is information on the programs that will be developed as a result of raising private capital. Mr. Esty stated that staff was asked to provide the Budget Committee within 60 to 90 days an amended budget that includes information on the private capital raise and programs.

Mr. Dykes summarized the revenues projected for fiscal year 2013. He reviewed the proposed budget allocations for the transition programs, the programs being maintained, the programs statutorily mandated, the new financing programs and the grid-tied renewable energy projects. Mr. Dykes mentioned that there was a lot of discussion at the Budget Committee meeting about the appropriate level of spending. A concern was expressed with significantly increasing spending in fiscal year 2013 and having to significantly reduce spending in succeeding years.

Mr. Dykes reviewed the proposed two options for consideration with respect to the fiscal year 2013 budget. One of the options sets the framework for staff to fully spend down funds that had not been fully spent for existing and new programs to be developed. Mr. Dykes stated that this option provides the most flexibility even though it is not likely that the funds would be fully spent. Some concern was expressed with how the rating agencies would view CEFIA with this option, and several other Board members felt that CEFIA should spend the ratepayer funds that had not been spent in previous years. The other option was a budget based on the actual projected spending based on staff input. The Board asked Mr. Hunter for his opinion. Mr. Hunter indicated that he has had discussions with Mr. Lamb from Lamont Financial Services, CEFIA's financial advisor, and Mr. Lamb believes that it would be reasonable for CEFIA to set aside a reserve of at least \$5,000,000 to \$7,500,000 for the SCRF and bonding program. Mr. Hunter advised against budgeting to spend down the full set aside of funds and rather to move forward with a projected budget. There was general consensus that CEFIA should move forward with a budget that would be more acceptable to the rating agencies. In response to a question, Mr. Dykes indicated that even the projected budget utilizes a portion of the carry forward of funds.

A discussion ensued on the high risk loans that CEFIA provides. It was noted that the information provided for the 2013 budget does not include a projected loan loss reserve against CEFIA's assets. Mr. Bellas explained how valuations are done for loans, including the operational demonstration loans that are more risky. The Board asked for a comprehensive budget document that includes information such as a loan loss reserve for CEFIA's assets.

Mr. Dykes discussed the grid-tied renewable energy projects in more detail. He stated that the two projects (Bridgeport fuel cell and Colebrook Wind project) are anticipated to need a debt investment of between \$5,000,000 and \$7,000,000 from CEFIA. It was noted that the loans will be structured so that CEFIA will be paid back over time. Both loans will exceed the amount that can be approved by the Deployment Committee and will have to be considered by the Board of Directors. The Deployment Committee will be asked to review the proposals and make a recommendation to the Board.

Mr. Dykes reviewed the projected budget for loans, credit enhancements and C-PACE. Mr. Hunter talked about some of the advantages of C-PACE and explained some of the issues and complexities that still need to be resolved. Ms. Bailey will be helping to work out the issues in order to successfully implement C-PACE. It is hopeful that C-PACE can be rolled out in the next quarter.

Mr. Garcia talked about the Clean Energy Business Solution program and budget. He explained that under the program financing solutions would be offered to businesses and companies that need energy efficiency improvements or renewable energy on the site. It was noted that this program helps support the state's economic development goals. Mr. Hunter explained that staff is working with the U.S. Department of Housing and Urban Development ("HUD") and the Connecticut Housing and Finance Authority to develop a program for the multi-unit housing sector. Under the program loans would be provided for energy service companies to perform retrofits on multi-unit housing and HUD and CEFIA would provide a loan loss reserve to absorb bank shortfalls. It was noted that there may be an opportunity for the Connecticut Housing and Finance Authority to provide financing through the state volume cap allocation and tax-exempt bonds. There was a discussion about cash flow improving at the developments as a result of the energy efficiency improvements and how the funds could potentially be utilized. It was noted that the budget for credit enhancements is a place holder until the program is refined.

Mr. Dykes discussed the proposed budget for the non-profit loans and credit enhancements. He explained that the program would provide loans for Campus Efficiency Now/Connecticut Conference of Independent Colleges ("CCIC") for energy efficiency at colleges and schools. Approximately \$1,000,000 would be provided under the pilot program for a small number of colleges. The plan is to attract private capital and expand the program to all CCIC members. Mr. Garcia discussed the potential to utilize the SCRF for credit enhancements. It was noted that the universities are nonprofit, and therefore tax-exempt bonds could be used. Some concern was expressed with the structure of the program.

Mr. Garcia talked about the residential programs. He discussed the Clean Energy Financing Program and Clean Energy Financial Innovation Program. Further information will be provided within 60 to 90 days.

Mr. Dykes discussed the proposed operating budget for fiscal year 2013 which represents an overall increase of approximately 24 percent. He mentioned that CEFIA is still negotiating the office space in Stamford which will be helpful in recruiting the financial team. The Board members discussed the proposed new staff positions for fiscal year 2013 which include: a Director of PACE, an Associate Director of Finance, 2 Associate Finance positions, and an Associate of PACE. Mr. Dykes mentioned that four positions that are currently vacant will not be filled, so the net increase in positions proposed for fiscal year 2013 is 1. It was noted that the budget includes a pool of funds for promotions or adjustments based on a study of comparable market salaries but does not include an overall increase for salaries. It was noted that the state employees have a salary freeze through fiscal year 2013 and CEFIA was cautioned against providing overall salary increases.

Mr. Esty recommended that the Board accepts the “projected budget” for fiscal year 2013 and noted that the Budget Committee will be meeting again in the next month to discuss each of the programs in more detail.

Upon a motion made by Mr. Esty, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution adopting CEFIA’s annual operating budget for fiscal year 2013, as attached:

WHEREAS, Article V of the Clean Energy Finance and Investment Authority (“CEFIA”) Operating Procedures requires the CEFIA Board of Directors (the “Board”) to adopt an Annual Operating Budget for each forthcoming fiscal year.

NOW, therefore be it:

RESOLVED, that the CEFIA Board hereby approves the Fiscal Year 2013 budget as set forth in FY Budget Attachment.

6. Technology Innovations Committee Updates and Recommendations:

Mr. Choi, Chairperson of the Technology Innovations Committee (“Technology Committee”) mentioned that the Technology Committee met on June 13 and reviewed the proposed Supplement One to the Memorandum of Understanding (“MOU”) between CEFIA and CI for the transition of the CEFIA Technology Innovation Programs. The supplement to the MOU amends the MOU entered into with CI in November 2011. Mr. Garcia mentioned that CEFIA staff has been working closely with CI staff to develop a structure to transfer the management and administration of the Alpha Program,

Operational Demonstration Program and other technology innovation programs. He mentioned that CEFIA met with CI on Friday, June 15, to finalize Supplement to the MOU based on a recommendation from the Technology Committee. Mr. Garcia stated that the Supplement to the MOU includes a small management fee for the transition of the programs. He explained that the assets will remain with CEFIA but the programs and projects will be managed by CI. Mr. Kirshbaum noted that the management fee was not part of the supplement presented to the Technology Committee. Ms. Stevenson explained the revenue model that was prepared at the request of CI which includes the staff time involved in managing the projects and technical support per project, and both CI and CEFIA believe that the fee is reasonable. Attorney Farnen explained that supplement is open ended and can be revisited upon successful completion of the "Project Period." CEFIA plans on reimbursing CI during the "Project Period." Ms. Glover recognized the improved relations with CI and CEFIA as a result of having the same Chairperson of the two boards.

Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Board members voted unanimously in favor of adopting the following resolution regarding Supplement One to the Memorandum of Understanding between CEFIA and CI to transfer management of CEFIA funded Alpha and Operational Demonstration projects to CI:

**RESOLUTION BETWEEN CEFIA AND CI
REGARDING TRANSFER OF MANAGEMENT OF
CEFIA FUNDED TECHNOLOGY INNOVATION PROJECTS TO CI**

WHEREAS, CEFIA recognizes the importance of providing financial assistance to emerging clean energy technology companies to support growth of Connecticut's clean energy industry, resulting in job creation, reduction in clean energy costs, environmental benefits and enhanced energy security; and

WHEREAS, as CEFIA focuses on financing the scaled deployment of commercially available technologies, and support for early stage technology innovation is no longer core to CEFIA's new focus, CEFIA intends to transition the management and administration of certain investments under CEFIA's Alpha Program, Operational Demonstration Program and other technology innovation programs (collectively "TI Programs") to other entities better positioned to manage and support Connecticut clean energy technology entrepreneurs; and

WHEREAS, Connecticut Innovations, Incorporated ("CI") is uniquely positioned to support these emerging technology entrepreneurs because of its expertise in clean tech investment and management and its core mission is to provide strategic capital and operational insight to push the frontiers of high-tech industries such as energy, biotechnology, information technology and photonics.

WHEREAS, CEFIA intends to transfer the management and support of certain mutually agreed upon investments under the TI Programs to CI as further described in

the attached Supplement One to the Memorandum of Understanding (“MOU”) between CEFIA and CI dated November 22, 2011.

NOW, THEREFORE, be it:

RESOLVED, that the proper Board of Directors of CEFIA approves the attached Supplement One to the MOU.

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 the above-mentioned legal instrument.

Mr. Choi mentioned that the Technology Committee members approved resolutions regarding Alpha Project funding for Seldera, LLC, Apollo Solar, Inc., and Anchor Science, LLC. The Technology Committee members asked for further information on Scaled Liquid Systems, LLC.

7. Deployment Committee Updates and Recommendations:

Mr. Hedman provided a brief update on the Residential Solar Investment Program. He mentioned that under Step 2 which became effective on May 18, 2012, 108 applications have been approved, 43 of which were under the leasing model, a significant increase from Step 1. Mr. Hedman mentioned that installed costs on the rebate side have dropped by approximately 10 percent, and the leasing installers have increased from 1 to 3. The total number of applications received under Step 2 has slowed down from Step 1. Mr. Garcia mentioned that he will start meeting with solar installers to discuss the structure of a financing program. The focus is to lower costs and ensure cheaper and cleaner renewable energy.

8. 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 June 6, 2012 and reviewed the fiscal year 2012 plan for auditing CEFIA’s financial statements with Marcum, CEFIA’s independent auditor. Mr. Hunter mentioned that the audited financial statements will be presented to the board in September. This will be Marcum’s third year as independent auditor for CEFIA/CCEF.

9. Executive Vice President—Chief Investment Officer:

Mr. Garcia asked the Board to consider the appointment of Bert Hunter as Executive Vice President—Chief Investment Officer (“EVP—CIO”). He noted that Mr. Hunter will be an asset to CEFIA as CEFIA transitions to a green bank. Mr. Hunter expressed

gratitude to the Board and stated that in the interest of time, his formal statement will be e-mailed to the Board.

Upon a motion made by Ms. Glover, seconded by Mr. Esty, the Board members voted unanimously in favor of adopting the following resolution approving the appointment of EVP—CIO:

WHEREAS, the Clean Energy Finance and Investment Authority (“CEFIA”) Board of Directors (the “Board”) approved the position description, salary range and qualification requirements (“Position Description”) for the Executive Vice President and Chief Investment Officer (“CIO”) at the Board Special Meeting on September 29, 2011; and

WHEREAS, a search committee of the Board and CEFIA staff recommended Bert Hunter for the position of CIO; and

NOW, therefore be it:

RESOLVED, that the Board approves the recommendation of the search committee and authorizes the appointment of Bert Hunter as CIO within the parameters of the approved Position Description.

RESOLVED, 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 employment of Bert Hunter as CIO.

10. Approval of CCEF FY2011 Annual Report:

Mr. Goldberg stated that in accordance with Connecticut General Statutes an annual report for CCEF must be filed with DEEP, the joint standing committees of the General Assembly having cognizance of matters relating to energy and commerce, and the Office of Consumer Counsel. The annual report for fiscal year 2011 is the final annual report that will be issued for CCEF. Staff will prepare a fiscal year 2012 CEFIA draft annual report in the fall.

Upon a motion made by Ms. Wrice, seconded by Mr. Choi, the Board members voted in favor of adopting the following resolution approving the Annual Report of CCEF for fiscal year 2011 (Mr. Kirshbaum abstained from the vote).

WHEREAS, Section 16-245n(f)(1) of the State of Connecticut General Statutes, as amended by Public Act 11-80, requires the Board of Directors of the Clean Energy Finance and Investment Authority (“CEFIA”) to provide an annual report to the Department of Energy and Environmental Protection, the joint standing committees of

the General Assembly having cognizance of matters relating to energy and commerce and the Office of Consumer Counsel; and

WHEREAS, CEFIA, as the successor organization of the Connecticut Clean Energy Fund (“Fund”), intends to submit such annual report on behalf of the Fund for fiscal year 2011;

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors hereby approves the attached Annual Report of the Fund for fiscal year 2011.

11. Review and Approval of FY2012 Budget Reallocation:

Mr. Dykes explained that there are several items from the fiscal year 2012 operating budget that are anticipated to be slightly over budget and will require a budget reallocation. He noted that the reallocation within the approved budget does not increase the overall budget. Mr. Dykes indicated that legal expenses are anticipated to be approximately \$24,000 more than projected due to additional expenses incurred during the CEFIA transition to a quasi-public agency, and advisory expenses are anticipated to be approximately \$48,000 higher than projected due to expenses incurred to recruit an Executive Vice President/Chief Investment Officer. Therefore, staff recommends reallocating \$72,000 from marketing and external relations to cover the anticipated additional legal and advisory expenses. Mr. Dykes stated that staff also recommends reallocating \$16,000 from salaries and wages and \$10,000 from benefits to cover higher than anticipated expenses for temporary employees due to unexpected vacancies in the accounting department and \$11,000 from subscriptions to cover higher than anticipated travel expenses due to higher than anticipated activity by CEFIA employees.

Upon a motion made by Mr. Choi, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution approving the FY2012 Budget Reallocations:

WHEREAS, the Clean Energy Finance and Investment Authority (“CEFIA”) has exceeded certain line items in its fiscal year 2012 budget by the amounts outlined in attachment A and requires reallocation to cover the expenses; and

WHEREAS, per Article V, section 5.3.2(vi) the CEFIA Board of Directors (the “Board”) must approve reallocations in excess of seventy-five thousand dollars (\$75,000).

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors hereby approves the recommendation of the CEFIA Budget and Operations Committee and approves the following budget reallocations:

- Reduction of \$72,000 from marketing and external relations of which \$24,000 will be allocated to legal expenses and \$48,000 will be allocated to advisory expenses.
- Reduction of \$16,000 from salaries and wages to be reallocated to temporary employees.
- Reduction of \$10,000 from benefits to be reallocated to temporary employees
- Reduction of \$11,000 from subscriptions to be reallocated to travel expenses.

12. Adjournment: Upon a motion made by Mr. Choi, seconded by Ms. Glover, the Board members voted unanimously in favor of adjourning the June 20, 2012 meeting at 10:30 a.m.

Respectfully submitted,

Catherine Smith, Chairperson

Attachment: Fiscal Year 2013 CEFIA Budget
Attachment: Fiscal Year 2012 Budget Reallocations