

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, June 21, 2013

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on June 21, 2013, at the office of Connecticut Innovations, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:02 a.m. Board members participating: Mun Choi; Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Tom Flynn; Norma Glover; Reed Hundt (by phone); Sharon Dixon-Peay, State Treasurer’s Office; John Olsen (by phone); Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (“DECD”); and Patricia Wrice (by phone).

Members Absent: Matthew Ranelli.

Staff Attending: Jessica Bailey, George Bellas, Andy Brydges, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Kerry O’Neill, Shelly Mondo, Cheryl Samuels and Kimberly Stevenson.

Others Attending: Tracy Babbidge, DEEP; Eric Brown, CBIA; Denise Farrell, State Treasurer’s Office; and Jaimeson Sinclair, DEEP.

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

2. **Public Comments:**

Mr. Brown asked processing questions about the Regional Greenhouse Gas Initiative (“RGGI”) auction proceeds. He questioned how the RGGI funds are transferred and whether there is flexibility or limitations about the RGGI funds used by CEFIA. Mr. Brown asked the Board to comment on the process involved with the mill increase to the Connecticut Energy Efficiency Fund. Mr. Esty indicated that the increase of RGGI funding for CEFIA would have to be used for efficiency oriented programs or projects.

3. **Approval of Minutes of Meeting of May 7, 2013:**

Ms. Smith asked the Board to consider the minutes from the May 7, 2013 meeting.

Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Board members voted in favor of adopting the minutes from the May 7, 2013 meeting as presented (Mr. Olsen was not present for the vote).

4. Update from the President:

Mr. Garcia mentioned that he received a letter of resignation from Mr. Olsen. Mr. Olsen indicated that he will stay on until his replacement has been appointed. Ideas on a reception to honor Mr. Olsen for his dedication to the State and Board should be directed to Mr. Garcia.

Mr. Garcia introduced Andy Brydges, who was recently hired as Director of CEFIA's Institutional Programs. He spoke about Mr. Brydges experience and background.

5. Legislative Session Overview:

Mr. Goldberg provided an update on some of the favorable legislation that passed impacting CEFIA and other energy stakeholders. He reported on the property tax exemption bill (S.B. 203 and P.A. 13-61). Effective January 4, 2014, municipalities are required to exempt clean energy projects defined under Section 16-1 from property tax for commercial and industrial projects. Mr. Goldberg mentioned that House Bill 6360 provides enhancements to the Commercial Property Assessed Clean Energy ("C-PACE") Program, including benefit assessments before construction, the definition of the foreclosure impacts and clarification of the mortgage holder consent. Mr. Goldberg indicated that H.B. 6360 also includes on-bill repayment as an option for the residential sector financing tool for clean energy. He spoke about the Energize Connecticut inclusions in the act as a result of CEFIA's success with Solarize Connecticut. Mr. Goldberg discussed the Renewable Energy and Efficient Finance Program (included in H.B. 6360) which is a collaboration between CEFIA, DEEP, DECD, and the Treasurer's office to utilize bond funds to provide grants, investments and loans for clean energy. Legislation passed this session also includes district heating and cooling systems within C-PACE and provides the opportunity to support microgrid and other projects.

In response to a question, Mr. Garcia indicated that there was a lot of support for CEFIA and for clean energy and energy efficiency in Connecticut during the legislative session that is likely to result in more investment in clean energy and energy efficiency in the state. Mr. Hunter discussed the need to have more frequent discussions with legislators to keep them informed about CEFIA.

6. Transfer from CEFIA to General Fund and RGGI Allowance:

Mr. Dykes discussed the transfer of funding from CEFIA to the State General Fund. He explained how CEFIA was successful with reducing the original proposed amount down to a total of \$25,400,000 for fiscal years 2014 and 2015. Mr. Dykes described how a portion of the Regional Greenhouse Gas Initiative ("RGGI") auction proceeds will be transferred to CEFIA over the next two years to replace CEFIA's funds that will be transferred to the State General Fund. It was noted that without the additional RGGI proceeds, the transfer of funds to the State General Fund would have severely impacted the Green Bank mission of CEFIA. In response to a question, Mr. Dykes indicated that the Governor has pledged to look at ways to find a solution to the State budget short-fall to try to reduce or eliminate the amount transferred from CEFIA in

fiscal year 2015. Mr. Esty stated that it is his intent to ensure that CEFIA is made whole or better. In response to a concern expressed with ensuring there is a written agreement about the arrangement, Ms. Babbidge stated that the transfer of RGGI funds is effectuated through a regulation, and the process will be clearly documented. There was a request from the board to Mr. Esty to provide a written commitment of his support for using RGGI proceeds to offset the General Fund transfer to which he agreed. Mr. Garcia explained the legislation that will take effect July 1, 2013 allocating excess RGGI funds to CEFIA to invest in energy efficiency programs and projects. He talked about the funds budgeted by Connecticut Light & Power and United Illuminating and the anticipated excess RGGI funds over and beyond what was submitted to PURA for fiscal years 2013 through 2015.

Ms. Babbidge introduced Jameson Sinclair, Climate Control Director at DEEP. She discussed the background of RGGI which was launched in 2008. Ms. Babbidge spoke about the program review, the conclusions and adjustments made to the program. In response to a question, Ms. Babbidge stated that there was no overall impact on Connecticut with New Jersey exiting the regional arrangement. The Board asked for a per capita price comparison and how Connecticut ranks nationally and regionally. Ms. Babbidge discussed the RGGI projections through 2020, including the projected proceeds, projected allowance prices, Connecticut cap and allowance reserve. There was a discussion about a federal program, and it was noted that the RGGI program is equivalent to what is being proposed by the federal government. Ms. Babbidge talked about the distribution of RGGI proceeds from DEEP to CEFIA. A discussion ensued on how the funds from CEFIA to the General Fund will be transferred, and the Board concurred that the best option for CEFIA is to have a monthly transfer of funds from CEFIA to the General Fund. Ms. Babbidge reviewed the key regulation review dates. After discussion about the proposed resolution, there was general consensus that the draft resolution is not necessary.

Upon a motion made by Ms. Wrice, seconded by Mr. Choi, the Board voted unanimously in favor of supporting a monthly withdrawal process rather than a lump sum for the CEFIA funds that are required to be transferred to the General Fund of the State of Connecticut.

7. Budget and Operations Committee Updates and Recommendations:

Fiscal Year 2014 Budget:

Mr. Garcia summarized the major accomplishments for fiscal year 2013. He discussed the process for reviewing the 2014 proposed budget, noting that the Budget and Operations Committee met several times and recommends the approval of the proposed budget with the exception of not making a recommendation with respect to salary adjustments (cost of living adjustment, merit increases, salary range revisions and incentive plan) and the proposed increase in staff.

Mr. Garcia provided an overview of the program performance for fiscal year 2013 in comparison with the Comprehensive Plan. He noted that approximately \$40,000,000 of ratepayer or public capital at risk attracted approximately \$180,000,000 of private capital. Mr. Garcia mentioned that in fiscal year 2013, CEFIA closed out and transitioned the technology innovation programs. He indicated that CEFIA will retain the Clean Energy Communities Program, but the program has been restructured to align with the new mission of clean energy deployment and financing and support of CEFIA's goals for the four sectors. Mr. Garcia stated that staff was able to reduce outstanding commitments from \$27,000,000 to \$11,700,000. He mentioned that the sector directors established quarterly targets for fiscal year 2014 for each of the respective sectors. With the targets, CEFIA will have deployed about the same megawatts as the Connecticut Clean Energy Fund deployed over 10 years. Mr. Garcia explained the need to hire support staff in order to achieve its very ambitious targets.

Mr. Dykes reviewed the projected revenues for fiscal year 2014 and discussed the rationale for the projections. He discussed the proposed fiscal year 2014 budget for each of the program sectors. It was noted that \$5,000,000 has been budgeted for an Energy Efficiency Loan Program which staff is developing. Mr. Dykes summarized that the 2014 budget focuses on deployment to meet key goals.

Mr. Garcia reviewed the proposed new positions and the proposed timing for the new hires. He explained the need to retain and attract qualified staff. Staff asked for guidance from the Board about the proposed new positions, a 3 percent cost of living adjustment, salary range revisions, and merit compensation. Mr. Hunter explained that the proposed budget includes the appropriate staff necessary to realize the ambitious targets and goals. Several Board members expressed the desire to have more information and comparisons with the state about the proposed salary adjustments (cost of living increase, merit increase, salary range revisions and incentive plan) before making a decision on how to proceed. The Board members generally agreed with recommended increase in staff as long as the staffing is appropriately sized when the programs grow or not grow. In response to a question it was noted that the proposed budget for fiscal year 2014 includes funding for four additional full-time equivalent staff which aligns with the goals of the budget.

Upon a motion made by Mr. Flynn, seconded by Ms. Wrice, the Board voted in favor of adopting the proposed budget for fiscal year 2014 that includes funding for four additional full-time equivalent staff but does not include funding for cost of living increases, merit increases, salary range adjustments or a compensation incentive plan (Mr. Esty and Ms. Smith were not present for the vote).

There was general consensus for staff to bring more detailed information about salary adjustments to the Budget and Operations Committee for further discussion before consideration again by the Board.

Restructure of Clean Energy Communities Program:

Attorney Farnen explained the recommendation to restructure the Clean Energy Communities Program to align with the new mission of clean energy deployment and financing and to support the goals of CEFIA's four sectors.

Upon a motion made by Ms. Wrice, seconded by Ms. Glover, the Board members voted in favor of adopting the following resolution regarding the Clean Energy Communities Program (Mr. Esty and Ms. Smith were not present for the vote:

WHEREAS, the Clean Energy Finance and Investment Authority ("CEFIA") proposes to revise its Clean Energy Communities Program so as to encourage municipalities to take actions to support clean energy deployment and to motivate residential, commercial, industrial and institutional customers to make smart energy choices, including the adoption of renewable energy systems, energy efficiency upgrades, fuel conversions, and utilize CEFIA's innovative financing products; and

WHEREAS, the Budget and Operations Committee has reviewed CEFIA's Proposed FY2014 Operating and Program Budget and intends to recommend its approval to the Board of Directors;

NOW, therefore be it:

- (1) **RESOVLED**, that the Board of Directors approves as part of the fiscal year 2014 Operating and Program Budget funding in the amount of FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$550,000) to implement the revised Clean Energy Communities Program focused on CEFIA's new mission as a Green Bank (the "Program");
 - (2) **RESOLVED**, that staff will develop and publish revised Program Guidelines consistent with the Memorandum to the Board of Directors dated June 13, 2013;
 - (3) **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 effectuate such financing on such terms and conditions as he or she shall deem to be consistent with the Program and in the best interests of CEFIA and the ratepayers;
 - (4) **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 or instruments.
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8. Audit, Compliance and Governance Committee Updates and Recommendations:

Dissolution of Technology Innovations Committee:

Mr. Choi stated that the Technology Innovations Programs have been transitioned or phased out so that CEFIA can focus on its Green Bank mission. He acknowledged the excellent work done by staff to transition the programs. Since the transition is complete, the Audit, Compliance and Governance Committee recommends the dissolution of the Technology Innovation Committee. Attorney Farnen explained that CEFIA's Bylaws have been amended to reflect the change.

Upon a motion made by Ms. Wrice, seconded by Mr. Choi, the Board members voted in favor of adopting the following resolution regarding the dissolution of the Technology Innovation Committee (Mr. Esty and Ms. Smith were not present for the vote):

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") directs the Clean Energy Finance and Investment Authority ("CEFIA") to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in the state; and

WHEREAS, CEFIA has been strategically transitioning funding from technology innovation towards a focus on low-cost financing of commercially available clean energy deployment pursuant to CEFIA's Board approved Comprehensive Plan; and

WHEREAS, CEFIA has four Standing Committees of the Board consisting of an Audit, Compliance and Governance ("ACG") Committee, a Budget and Operations Committee, a Deployment Committee and a Technology Innovation Committee; and

WHEREAS, the ACG Committee recommended, effective July 1, 2013, that the CEFIA Board of Directors approves the dissolution of the Technology Innovation Committee.

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors hereby approves, effective July 1, 2013, the dissolution of the Technology Innovation Committee and that CEFIA's Bylaws are amended and restated to reflect such change.

Policy Statement Regarding Closeout of Technology Innovation Programs:

Attorney Farnen explained that a public policy statement has been developed to communicate the closeout and transition of CEFIA's early stage technology investment programs to sustain a focus on driving the deployment of commercially mature clean energy technologies in Connecticut.

Upon a motion made by Ms. Glover, seconded by Ms. Wrice, the Board members voted in favor of adopting the following resolution regarding the policy statement for the closeout of the Technology Innovation Programs (Mr. Esty and Ms. Smith were not present for the vote):

WHEREAS, the CEFIA Board of Directors approves, effective July 1, 2013, the dissolution of the Technology Innovation Committee.

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors supports the public statement as presented to the Board dated June 21, 2013 to be issued by the President regarding the dissolution of the Technology Innovation Committee.

Retention of Independent Auditor:

Attorney Farnen explained that a Request for Proposals ("RFP") was issued for the retention of an independent auditor. The responses were rated and ranked, and the Audit, Compliance and Governance Committee recommends the retention of Marcum, LLP. Marcum has served as auditor for the last three fiscal years and was eligible to apply during this RFP. In accordance with state statutes, independent auditors for quasi-public agencies cannot serve for more than six consecutive fiscal years. Attorney Farnen mentioned that the Reznick Group, a finance and tax accounting firm, has been involved in the development of CEFIA's solar lease program, and staff recommends conducting a competitive process for the performance of audit work for CEFIA's holdings and subsidiaries.

Upon a motion made by Ms. Glover, seconded by Ms. Wrice, the Board members voted in favor of adopting the following resolution regarding independent auditing services (Mr. Esty and Ms. Smith were not present for the vote):

WHEREAS, Article V. Section 5.3.1(i) of the Clean Energy Finance and Investment Authority ("CEFIA") Operating Procedures requires that the Audit, Compliance and Governance ("ACG") Committee recommends to the Board of Directors (the "Board") the selection of the auditors; and

WHEREAS, Connecticut Innovations provides administrative and accounting services to CEFIA, has reviewed and scored auditor bids and recommends Marcum, LLP; and

WHEREAS, the ACG Committee recommends to the Board Marcum, LLP as CEFIA's auditor for the fiscal years ending June 30, 2013, 2014, and 2015.

NOW, therefore, be it:

RESOLVED, that the Board approves Marcum, LLP as CEFIA's auditor for the Fiscal Years ending June 30, 2013, 2014 and 2015 and authorizes CEFIA staff to conduct competitive bid process between Reznick Group and Marcum for CEFIA Holdings (and subsidiaries) only. _____

9. Other Business:

There was no other business to discuss.

10. Adjournment: Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Board members voted unanimously in favor of adjourning the June 21, 2013 meeting at 11:03 a.m.

Respectfully submitted,

Catherine Smith, Chairperson