

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Friday, September 13, 2013

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on September 13, 2013 at the office of Connecticut Innovations, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Daniel Esty, Vice Chairperson of CEFIA, called the meeting to order at 9:05 a.m. Board members participating: Mun Choi (by phone); Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Bettina Ferguson, State Treasurer’s office; Norma Glover; Reed Hundt (by phone); John Harrity; and Matthew Ranelli.

Members Absent: Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development; Tom Flynn; and Patricia Wrice.

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

Other Attending: Denise Farrell (by phone).

2. **Public Comments:**

There were no public comments.

3. **Approval of Minutes of Meeting of July 19, 2013:**

Mr. Esty asked the Board to consider the minutes from the July 19, 2013 meeting.

Upon a motion made by Mr. Harrity, seconded by Ms. Glover, the Board members voted in favor of adopting the minutes from the July 19, 2013 meeting as presented (Ms. Ferguson abstained from the vote, and Mr. Ranelli was not present for the vote).

4. Update from the President:

Mr. Garcia discussed the meeting with the Japanese delegation who visited Connecticut to discuss combined heat and power and fuel cell technology deployment. He mentioned that the delegation was organized by Fuel Cell Energy and they visited the Bridgeport fuel cell project. He provided a brief update on the Bridgeport fuel cell project, noting that the project should be completed by the end of this year or beginning of next year. Mr. Garcia indicated that discussions were held with the delegation about exchanging information and technology and the possibility of bringing residential fuel cells from Japan to Connecticut while working with Connecticut companies to export their technologies to Japan.

Mr. Garcia provided an update on the green bank movement and commended Reed Hundt for the work that the Coalition for Green Capital is doing around the country. He mentioned that Connecticut is sharing information with other states that are very interested in what CEFIA is doing. The Board discussed the importance of sharing and exchanging information and products with other states.

Mr. Garcia spoke about the senior staff retreat recently held offsite to discuss the progress made, successes, accomplishments and challenges. He noted that there was consistent recognition from the group that the green bank accomplishments are built around the proof of concepts playing out, the growth with businesses and jobs as a result of the green bank, and the things that could not be accomplished without the green bank.

In response to a question, Mr. Hundt spoke about green banks on a national level. He talked about the advantages of creating economies of scale by many states offering similar products. Mr. Hundt discussed financial institutions proving to the federal government how products work and address energy problems. He explained how a federal program, for example a U.S. green bank, could work by lending low-cost and long-term debt to states and noted that the burden of capitalizing green banks can be shifted from the ratepayer to the federal government. The importance of creating economies of scale, standardizing products and data and de-risking investments in clean energy were noted as critical components to achieving lowest costs. Several Board members questioned whether it is realistic for the federal government to get involved given the current stalemate of circumstances in Washington, D.C., and expressed the importance of continuing to try to attract more private capital.

5. Commercial and Industrial Sector Program Updates and Recommendations for Approval:

a. Program Updates

Ms. Bailey provided an update on C-PACE. She mentioned that 57 towns have opted in to be C-PACE districts, which represents about 63 percent of the Connecticut market eligible. She indicated that 200 contractors have been trained. Currently, 14 capital providers are qualified to participate in the program. Ms. Bailey stated that \$6,700,000 in C-PACE transactions have been closed of the \$13,800,000 transactions approved. It is anticipated that \$6,700,000 in closed transactions will be sold down to capital providers participating in the program. Ms. Bailey described some of the changes to the program, including rate adjustments, instituting a closing fee and assessing budget and human resource needs. She discussed the pipeline of projects and the breakout by project type. The Board asked staff to track the types of jobs created and the other opportunities created as a result of the C-PACE Program.

Ms. Bailey explained the process of selling down the transactions. She noted that sealed bids are being solicited from capital providers. Final bids are due October 11 and the winning bidder will be selected on or about October 23.

Mr. Hunter attributed the success of the C-PACE program to many things, including having the right people run the program, developing the appropriate framework and structure for the program, having a funding warehouse approved by the Board earlier in the year and negotiating and finalizing documentation. The Board noted the importance of sharing information about CEFIA's successes with the state legislators. A suggestion was made to host a green bank workshop to share data. Mr. Goldberg explained some of the efforts currently being done to help educate the legislators and keep them abreast.

b. Buonicore PSA

Ms. Bailey discussed the recommendation to expand the personal services contract with Buonicore to perform the technical underwriting for the program. She explained the important role Buonicore plays with reviewing each of the transactions, training contractors, providing support for the capital providers, providing technical expertise, etc.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolution authorizing an amendment to the personal service agreement with Buonicore Partners:

WHEREAS, Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), CEFIA is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, as statewide program administrator for the C-PACE program, CEFIA is required, amongst other things, to evaluate the Savings to Investment Ratio ("SIR") for individual projects; and

WHEREAS, CEFIA seeks to amend PSA #1732 to retain Buonicore Partners to serve as Technical Administrator for the C-PACE program to evaluate the SIR for individual projects, work with property owners through the application, audit, capital sourcing, and construction phases; approve and deny applications; assist in qualifying contractors and capital providers as needed; assist property owners in sourcing capital providers and contractors; and various other substantive tasks to assist with the successful administration of the program.

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute an amended PSA between Buonicore Partners and CEFIA with terms and conditions materially consistent with CEFIA's standard form of PSA in an amount not to exceed \$400,000, exclusive of closing fees that will be collected by CEFIA from the Borrower upon closing.

c. Warehouse Expansion:

Mr. Hunter explained that in February 2013, the Board approved funding of up to \$20,000,000 as a funding warehouse for the C-PACE program. He noted that the program is working as planned, and there is growing activity on the demand side. As result of the growing demand, staff recommends expanding the funding capacity for more transactions. Mr. Hunter stated that staff recommends expanding the funding warehouse capacity to \$40,000,000 as a result of the increased activity in the program.

In response to a question about lender consent, Ms. Bailey indicated that consent has been obtained on approximately 8 transactions. A suggestion was made to ensure to capture the success with the lenders' consent as a best practice, which can be attributed in part to the significant analysis provided and the statutory provision that limits foreclosure. Mr. Hunter reviewed the transactions approved to date and the pipeline of transactions.

Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the following resolution authorizing an expansion of the funding warehouse for C-PACE:

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"), CEFIA is directed to, amongst other things, to develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine;

WHEREAS, Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly (the "Act"), CEFIA is directed to, amongst other things, to establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE") and CEFIA established the C-PACE program;

WHEREAS, the Board of Directors previously passed resolutions authorizing the establishment of a \$20 million construction and term loan facility in support of the C-PACE program to fund C-PACE transactions approved by staff, the Deployment Committee and the Board of Directors (the "C-PACE Warehouse Facility") and CEFIA established the C-PACE Warehouse Facility and has used the facility to approve \$14 million in C-PACE projects;

WHEREAS, CEFIA staff requests the Board of Directors approve an increase in the C-PACE Warehouse Facility to \$40 million to accommodate the anticipated needs of the C-PACE program; and

WHEREAS, staff's request for an increase in the C-PACE Warehouse Facility is consistent with CEFIA's comprehensive plan and budget for FY 2014 with respect to anticipated budget investments for the C-PACE program and other program requirements.

NOW, therefore be it:

RESOLVED, that CEFIA's Board of Directors authorizes an increase in the C-PACE Warehouse Facility to \$40 million in support of the C-PACE Program, to fund up to \$40 million in C-PACE transactions; and

RESOLVED, that the Board of Directors directs staff to sell such funded C-PACE transactions to private capital providers in order to continually restore funding capacity for the C-PACE program on an ongoing basis.

6. **Statutory and Infrastructure Section Program Updates and Recommendations:**

a. Program Updates

Mr. Hedman provided an update on the Residential Solar Investment Program. He indicated CEFIA is at approximately 80 percent of the goal for rebates and approximately 3 megawatts of 3.8 megawatts have been approved. With respect to the performance based incentives ("PBI"), CEFIA is at approximately 50 percent of the goal with about 1.3 megawatts of 2.8 megawatts approved. Mr. Hedman stated that the goals should be reached for both the rebates and PBIs by the end of the year. He mentioned that staff will make recommendations for step 4 incentives in the November or December meeting. Mr. Hedman reviewed the average system costs.

He noted that since the inception of the program, over 1,700 applications representing about 12 megawatts have been approved. Total incentives of over \$18,300,000 have been approved. The Board suggested that staff use fun facts and key words to tell the success stories of the green bank. Staff was encouraged to talk about the programs that are not working and make recommendations on redeploying funds from the programs that are not as successful to the programs that are successful.

b. Ansonia Anaerobic Digester Project

Mr. Hedman discussed the request for a loan of up to \$4,500,000 for the City of Ansonia Anaerobic Digestion Project, a 1.55 megawatt food waste anaerobic digestion facility at the City of Ansonia's waste water treatment plant and transfer station. Mr. Hedman stated that the estimated facility costs are \$20,000,000, and the primary project revenue sources include a 25-year power purchase agreement with the City of Ansonia and tipping fees for food waste. He reviewed the key terms of the loan and noted that certain aspects of the project are still being developed. In response to a question, Mr. Hedman explained how the power is produced. When asked about utilizing a fuel cell for the project, Mr. Hedman indicated that this is not the right feedstock for a fuel cell.

Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the following resolution regarding funding for the City of Ansonia Anaerobic Digestion Project, Ansonia:

RESOLVED:

- (1) that the Clean Energy Finance and Investment Authority (CEFIA) has determined that funding for City of Ansonia Anaerobic Digestion Project (Project), is consistent with CEFIA's Comprehensive Plan and in the interests of ratepayers, and that the term sheet dated September 6, 2013 be approved for the Project in an amount not-to-exceed Four Million Five Hundred Thousand Dollars (\$4,500,000.00) (Loan);
- (2) the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver, not later than June 30, 2014, any contract or other legal instrument necessary to effect the Loan on such terms and conditions materially consistent with the Term Sheet dated September 6, 2013 between CEFIA and Greenpoint Energy Partners (Ansonia) LLC; and
- (3) 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.

7. Residential Sector Program Updates:

Ms. O'Neill provided an update on the Residential Sector programs. She indicated that staff has focused on launching the CT Solar Lease Program, getting Smart-E lenders on board, training solar PV installers on the financing options and operationalizing all products. Under the Smart-E Program, Ms. O'Neill indicated that 17 loans have closed, and the average loan size is approximately \$10,000. The loans have primarily been for solar PV and natural gas conversions. Ms. O'Neill mentioned that 99 contractors have been trained to date. An update was provided on the CT Solar Lease Program, noting that 5 PV contractors are eligible to offer the leases, and others are in the process of becoming eligible, representing approximately 70 percent of the market. To date, approximately 34 applications have been received. Under the Solar Loan Program, 4 loans have closed. There are 6 eligible contractors with many more in the process of becoming eligible. Ms. O'Neill mentioned that more marketing is necessary for the Cozy Home Loan Program. She indicated that it is anticipated that the Solar Hot Water Lease Program will be launched in October.

Mr. Hunter and Ms. O'Neill spoke about the various financing and program options available to customers. It was noted that a lot of education has been done and staff will continue to provide education about the options available. Staff reviewed and compared the differences between the Smart-E Loan, CT Solar Loan and CT Solar Lease programs.

8. Institutional Sector Program Updates:

Mr. Brydges reported on the Lead by Example Program. He mentioned that CEFIA is working closely with DEEP. Mr. Brydges noted the opportunities at the various state agencies. He spoke about the importance of standardizing the process for proposal development and data reporting. Mr. Esty indicated that after discussing the financing options further with the Office of Policy and Management, CEFIA is encouraged to seek other funding rather than funding through state bonds. Mr. Brydges provided an update on the Campus Efficiency Now Program. He noted that the program has not realized as much progress as had been anticipated, and C-PACE may be a better option for some of the projects. Mr. Brydges indicated that staff has received some feedback that the desired projects are larger than the program can accommodate. He mentioned that to date one project under the program has closed.

Mr. Brydges stated that an internal task force has been formed to develop an evaluation, measurement and verification process. A Request for Qualification has been released to hire a contractor. Mr. Brydges mentioned that CEFIA is statutorily mandated to perform an evaluation of the residential solar investment program every two years beginning January 1, 2014.

9. Other Business—Executive Session:

The Board was asked to go into executive session to discuss personnel matters.

Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board voted unanimously in favor of going into executive session at 10:47 a.m. to discuss personnel matters. Mr. Garcia, Mr. Dykes and Mr. Hunter were invited to remain.

The executive session ended at 11:12 a.m., and the regular meeting was immediately reconvened.

Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the following resolution approving revisions to the officer-level career series:

RESOLVED, that the Board of Directors of the Clean Energy Finance and Investment Authority (“CEFIA”) pursuant to Article III of the CEFIA Bylaws, approves the revisions to the officer-level career series for the Executive Vice President and Chief Investment Officer.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted in favor of adopting the following resolution approving revisions to the director-level career series and position description for the Director of Commercial and Industrial Programs (Ms. Ferguson abstained from the vote):

RESOLVED, that the Board of Directors of the Clean Energy Finance and Investment Authority (“CEFIA”) pursuant to Section VII of the CEFIA Operating Procedures, approves the revisions to the director-level career series and position description for the Director of Commercial and Industrial Programs.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted in favor of adopting the following resolution approving revisions to the officer-level career series and position description for the General Counsel and Chief Legal Officer and the appointment of Brian Farnen as an officer of CEFIA (Ms. Ferguson abstained from the vote):

RESOLVED, that the Board of Directors of the Clean Energy Finance and Investment Authority (“CEFIA”) pursuant to Article III of the CEFIA Bylaws, approves the revisions to the officer-level career series and position description for the General Counsel and Chief Legal Officer (General Counsel) and authorizes the appointment of Brian Farnen as an officer of CEFIA for the position of General Counsel.

10. Adjournment: Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adjourning the September 13, 2013 meeting at 11:14 a.m.

Respectfully submitted,

Daniel Esty, Vice Chairperson