

**CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**  
**Board of Directors**  
**Minutes – Regular Meeting**  
**Friday, October 18, 2013**

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on October 18, 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; Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Bettina Ferguson, State Treasurer’s Office; Tom Flynn (by phone); Norma Glover; Reed Hundt (by phone); John Harrity (arrived at 9:11 a.m.); Matthew Ranelli; and Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (arrived at 9:10 a.m.)

Member Absent: Patricia Wrice.

Staff Attending: George Bellas, Andy Brydges, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Suzanne Kaswan, Shelly Mondo, Kerry O’Neill (by phone), Cheryl Samuels, and Genevieve Sherman.

Others Attending: Henry Link, Enviro Energy Connections; Harry Ranney, C-TEC Solar; Bill Stillinger, PV Squared; and Mike Trahan, Solar Connecticut;

2. **Public Comments**

There were no public comments.

3. **Approval of Minutes of Meeting of September 13, 2013**

Mr. Esty asked the Board to consider the minutes from the September 13, 2013 meeting.

**Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted in favor of adopting the minutes from the September 13, 2013 meeting as presented (Mr. Flynn abstained from the vote, and Mr. Harrity and Ms. Smith were not present for the vote).**

#### **4. Update from the President**

Mr. Garcia provided highlights from the analysis of the results of the 2013 fiscal year for CEFIA. In one year, CEFIA attracted approximately \$180,000,000 of private capital while utilizing approximately \$40,000,000 of ratepayer funds, of which \$20,000,000 is in the form of loans and leases and are anticipated to be paid back over time. He stated that in the 2013 fiscal year, CEFIA deployed nearly 30 megawatts of clean energy and put approximately \$220,000,000 into the Connecticut clean energy economy. The Board asked staff to provide a chart showing the annual projected returns and cash flow projections from the ratepayer funds.

Mr. Garcia spoke about the jobs created and environmental benefits as a result of CEFIA's deployment of clean energy in fiscal year 2013. He noted that CEFIA's investments resulted in approximately 400 direct and 800 indirect jobs in Connecticut for fiscal year 2013. Questions arose about the types of jobs that were created (i.e. short-term or long-term). Mr. Garcia explained how the calculations were made. Staff was asked in the future to break out the construction jobs and permanent jobs. CEFIA will provide information to DECD to run a REMI model. Mr. Garcia discussed the increased interest in the Green Bank approach and compared the results of CEFIA's Green Bank approach over the last year with the former Connecticut Clean Energy Fund ("CCEF") over the last 10 years. A discussion ensued on the difficulties with comparing CEFIA to CCEF and the need to identify appropriate benchmarks for CEFIA. Mr. Garcia summarized that CEFIA is "doing more with less and faster!"

The Board questioned whether CEFIA can or should be doing more to take advantage of other states starting Green Banks. Mr. Hundt noted the importance of sharing ideas, developing standard forms and common practices and lowering the risk of projects. The Board discussed the opportunities and efficiencies for CEFIA with other states creating Green Banks. Mr. Garcia and the CEFIA staff were commended for recognizing that the subsidy approach for the clean energy market is unsustainable. A comment was made about the importance of CEFIA staying focused and Connecticut not losing its competitive edge.

A discussion ensued on CEFIA moving away from a subsidy model to a financing model, and the Board questioned the stepdown of subsidies over the next several years. It was noted that CEFIA may be able to scale back its subsidies sooner than anticipated and hit legislative mandates sooner. Mr. Garcia noted that talking points have been created to support communication efforts.

Attorney Farnen mentioned that a federal subpoena was received this week relating to CCEF and its incentives. He stated that he does not believe that there were any wrong doings. The Board asked the Audit, Compliance and Governance Committee ("Audit Committee") to work with Mr. Garcia to ensure full coordination and cooperation and to keep the Board informed.

## **5. Committee Updates and Recommendations**

Mr. Ranelli, Chairperson of the Audit Committee, mentioned that the Audit Committee met on October 4 with representatives from Marcum, CEFIA's independent auditor, to review the audited fiscal year 2013 financial statements. He summarized that Marcum issued a "clean opinion," and there were no concerns. Mr. Ranelli mentioned that several questions arose regarding the treatment of certain expenses, and Mr. Bellas and the finance team will be discussing these issues with Marcum. It is anticipated that the revised draft audited financial statements for fiscal year 2013 will be presented to the Board in November. Mr. Ranelli mentioned that there was some discussion at the Audit Committee meeting about doing a Comprehensive Annual Financial Report ("CAFR") in the future. It was noted that many other quasi-public agencies are already doing a CAFR.

Mr. Ranelli mentioned that the Audit Committee members reviewed the terms of the current Board members, and staff will keep informed about expiring terms to ensure appropriate steps are taken to avoid lapses.

Mr. Esty, Chairperson of the Budget Committee, mentioned that the Budget Committee had asked for quarterly updates, and the CEFIA directors for each of the respective sectors will be providing updates.

Mr. Garcia mentioned that the Deployment Committee will be meeting on October 29 and will be reviewing several C-PACE transactions.

Mr. Garcia reviewed the proposed Board and committee meeting schedules for calendar year 2014. Some concern was expressed with transitioning so quickly from 12 Board meetings to 4 Board meetings in 2014. After discussion, there was general consensus to have 6 Board meetings in 2014 and to have the Board meetings soon after the close of a quarter. The ultimate goal is still to eventually have quarterly Board meetings in succeeding years if possible. The meeting schedule will be presented to the Board in November for approval.

## **6. Commercial and Industrial Sector Program Updates and Recommendations**

### ***a. Program Updates***

Ms. Sherman provided highlights from the first quarter of the 2014 fiscal year for the Commercial and Industrial Sector. She reviewed the targets and progress in both dollars and megawatts of clean energy, noting that CEFIA is on target. She mentioned that a majority of the projects are energy efficient. Ms. Sherman discussed some of the observations made following the first quarter. In response to a question, Attorney Farnen explained how CEFIA staff currently manages and tracks the closed C-PACE transactions. Ms. Sherman stated that a Request for Proposals has been released to retain a "Master Servicer" for the C-PACE transactions so that CEFIA staff does not

have to continue to service the loans. She noted that approximately two to three towns a week are signing on to participate in the C-PACE Program. Ms. Sherman reviewed the number of projects that have closed and have been approved between April and September 2013. She discussed the process for selling down the transactions. Ms. Sherman mentioned that bids were solicited from capital providers through a sealed-bid process, and staff anticipates selecting a winning bidder in the near future. There was some discussion about the advantages of finding a program partner. A suggestion was made to include a map of the State of Connecticut that identifies the locations of all of the C-PACE transactions with stars.

***b. 22 Waterville Road, Avon, CT***

Ms. Sherman discussed the request for C-PACE construction and term loan financing to fund the \$419,346 energy efficiency project at 22 Waterville Road, Avon. She reviewed the cash flow projections, key financial metrics and terms and conditions of the loan. It was noted that among other things, CEFIA considers loan-to-value and lien-to-value ratios.

***c. 29 Trefoil Drive, Trumbull, CT***

Ms. Sherman reviewed the request for C-PACE construction and term loan financing to fund the \$1,001,298 energy efficiency project at 29 Trefoil Drive, Trumbull. She described the project and reviewed the cash flow projections, key financial metrics and terms and conditions of the loan. In response to a question, Ms. Sherman stated that when the project is commissioned the interest rate will be converted to a fixed rate of 5.5 percent.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Choi, the Board members voted unanimously in favor of adopting the following resolutions authorizing C-PACE financing for 22 Waterville Road, Avon and 29 Trefoil Drive, Trumbull:**

**WHEREAS**, Pursuant to 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"); and

**WHEREAS**, the CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program; and

**WHEREAS**, CEFIA seeks to provide a \$419,346 construction and (potentially) term loan under the C-PACE program to Sweetland Realty, LLC, the property owner of 22 Waterville Road, Avon, CT to finance the installation and upgrades of energy efficiency measures in line with the State's Draft Comprehensive Energy Strategy and CEFIA's Strategic Plan.

**NOW**, therefore be it:

**RESOLVED**, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver Loan in an amount not to be greater than one hundred and ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors on October 29, 2013, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from October 18, 2013; and

**RESOLVED**, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

**RESOLVED**, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

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**WHEREAS**, Pursuant to 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"); and

**WHEREAS**, the CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program; and

**WHEREAS**, CEFIA seeks to provide a \$1,001,298 construction and (potentially) term loan under the C-PACE program to ISCT Real Estate LLC, the property owner of 29 Trefoil Drive, Trumbull, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan.

**NOW**, therefore be it:

**RESOLVED**, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated October 11, 2013, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from October 18, 2013; and

**RESOLVED**, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction

meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

**RESOLVED**, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

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***d. Buonicore Partners Revised PSA***

Attorney Farnen explained that the Board approved the expansion of the technical underwriting personal services agreement with Buonicore Partners in September 2013. However, the increase should have been for an additional \$400,000 from \$268,313 for a total of \$668,313. He asked the Board to consider the revised resolution.

**Upon a motion made by Mr. Esty, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolution regarding 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;

**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 to increase the PSA amount by \$400,000 for a new not to exceed amount of \$668,312.50, exclusive of closing fees that will be collected by CEFIA from the Borrower upon closing.

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**7. Residential Sector Program Updates and Recommendations**

***a. Program Updates***

Ms. O'Neill and Mr. Dykes provided an update on the Residential Sector Program. Mr. Dykes indicated that there is no progress to report because the Smart-E and Cozy loan programs were begun during the first quarter of the 2014 fiscal year. He mentioned that the programs are ramping up. Mr. Dykes stated that changes have been made to help increase interest in the Solar Loan Program, and there should be more progress in the second quarter.

Ms. O'Neill reviewed some of the observations noted during the first quarter for the residential sector. She stated that there has been a lot of focus on contractor engagement and recruiting. Ms. O'Neill indicated that while there has been an increase in the number of loans closed in September versus August, it may take some time to get everyone comfortable with CEFIA's products.

Ms. O'Neill spoke about "GoSolarCT" a new extensive marketing campaign for all solar financing products.

***b. ARRA Credit Enhancement Proposal***

Ms. O'Neill spoke about the American Recovery and Reinvestment Act State Energy Program ("ARRA-SEP") program and mentioned that staff recommends allowing some flexibility to deploy the remaining \$1,100,000 of ARRA-SEP funding. She indicated that flexibility will allow staff to target funds where they will drive the most deployment. In response to a question, it was noted that this authorization is within the parameters allowed by the U.S. Department of Energy.

**Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the following resolution regarding the allocation of ARRA-SEP funds:**

**RESOLVED**, that funding for loan loss reserves, interest rate buydowns and third party insurance products ("Credit Enhancements") through the use of repurposed American Recovery and Reinvestment Act State Energy Program (ARRA-SEP) program funds be approved for CEFIA's Cozy Home Loans, Smart-E Loans, CT Solar Loan, and CT Solar Lease programs (the "Programs") in amounts materially consistent with the Memorandum presented to the Board of Directors dated October 18, 2013.

**RESOLVED**, that additional ARRA-SEP funds are approved for the Programs in the not-to-exceed set forth below:

- a. \$304,667 for Smart-E Loans;
- b. \$405,311 for CT Solar Loan; and
- c. \$641,643 for CT Solar Lease.

**RESOLVED**, that the President of CEFIA; and any other duly authorized officer of CEFIA, is authorized to use their best discretion to utilize the most effective use of the entirety of the Credit Enhancements in amounts not to exceed:

- a. \$410,000 for Cozy Home Loans;
- b. \$2,804,667 for Smart-E Loans;
- c. \$705,311 for CT Solar Loan;
- d. \$4,141,643 for CT Solar Lease; and
- e. \$300,000 for a to-be-developed CHIF product which will be brought back to the Board of Directors for review and final approval at a later date within fiscal year 2014.

**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 effect the Credit Enhancements on such terms and conditions consistent with current executed legal documents and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than six months from the date of this resolution; and

**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.

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## **8. Statutory and Infrastructure Sector Program Updates**

Mr. Hedman provided an update on the Statutory and Infrastructure Sector. He noted that for the first time, CEFIA received more applications for leases and Power Purchase Agreements than homeowner purchases. He mentioned that step 3 is nearing completion, and staff has begun to develop recommendations for step 4. Mr. Hedman discussed the Ansonia anaerobic digester project in Ansonia, noting that a term sheet has been executed for a subordinate loan not to exceed \$4,500,000. He stated that staff is in the process of reviewing preliminary applications for two other anaerobic digester projects. Mr. Hedman mentioned that staff is looking into a potential micro-grid project in Windsor.

## **9. Institutional Sector Program Updates**

Mr. Brydges reviewed the progress made on the Institutional Sector program goals for the first quarter of fiscal year 2014. He discussed observations made by staff and noted that it is expected that the Campus Efficiency Now pipeline will exceed the 2014 fiscal year MMBtu goals. Mr. Brydges indicated that there is some interest in a municipal solar lease project. Staff is considering requests made to modify the existing underwriting criteria to accommodate ground mounted systems and larger projects. Mr. Brydges mentioned that the goals for the sector did not include "Lead by Example" projects, and he reviewed the status of the Lead by Example projects. The Board



discussed the advantages of utilizing private funding rather than the State of Connecticut bond funds for these projects. Staff was encouraged to leverage the State college system and UCONN for the programs. Mr. Brydges provided an update on the Request for Qualification process to hire a contractor to help develop an evaluation, measurement and verification process.

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

## **10. Other Business**

### ***a. Sick Bank Policy Revisions***

Ms. Kaswan discussed the recommended change to the Sick Leave Bank policy that was established in 2009. She explained the advantages of having the policy and explained that the modification would remove the requirement that employees exhaust all vacation time accruals before utilizing and receiving benefits under the Sick Leave Bank. With the change, sick bank participants would be required to exhaust vacation accruals in excess of 30 days. Some concern was expressed with a member not being eligible if he/she has been disciplined for an absence-related reason within the past 12 months. Ms. Kaswan explained that this policy is modeled after the policy for State Managers. Staff was asked whether any other quasi-public agencies have such a policy. In response to a question it was noted that CEFIA does not have a maternity leave policy. Staff was asked why this proposed change did not go through the Budget and Operations Committee first for a recommendation. As a result of the unanswered questions, a suggestion was made to suspend the proposed revision until after the Budget and Operations Committee has reviewed the following:

- Do the other quasi-public agencies have Sick Leave Bank policy or similar policy?
- How should CEFIA handle maternity leaves?
- Should disciplinary actions be considered in the policy?

Some concern was expressed with setting precedence if someone is allowed to take advantage of the policy during the time the modification is suspended and action is taken by the Board. Attorney Farnen opined that there is very little risk to CEFIA since personnel policies change frequently.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Hundt, the Board members voted in favor of suspending the following language proposed to be stricken from the CEFIA Sick Leave Bank policy: “[vacation, personal leave and compensatory]” until after the Budget and Operations Committee has taken under review Sick Leave Bank policies of other quasi-public agencies, if any, how to handle maternity leaves and whether disciplinary actions should be included in the policy (Ms. Ferguson, Ms. Glover and Mr. Flynn were opposed to the motion, and Ms. Smith was not present for the vote).**

***b. Support of the New York Green Bank***

Mr. Garcia asked the Board to consider adopting a resolution authorizing him to draft and submit comments to the New York State Public Service Commission regarding the creation of a New York Green Bank.

**Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted in favor of adopting the following resolution authorizing the President to submit public comments to the New York State Public Service Commission:**

**WHEREAS**, Governor Cuomo announced that he seeks to create a New York Green Bank for the purposes of transforming the state's clean energy economy by supporting the widespread flow of private sector funds to enable a self-sustaining clean energy system; and

**WHEREAS**, the New York State Energy Research and Development Authority (NYSERDA) issued a petition to the New York State Public Service Commission on September 9, 2013 requesting that \$165.6 million in uncommitted funds be repurposed to capitalize the New York Green Bank (NYGB);

**WHEREAS**, the Clean Energy Finance and Investment Authority (CEFIA) has been working with the staff of NYSERDA and the NYGB to provide advice on developing and organizing a green bank and its products given experiences from Connecticut; and

**WHEREAS**, CEFIA envisions working with the NYGB in the future to design and implement financing products that benefit Connecticut in collaboration with New York to provide easier access to affordable private capital.

**NOW**, therefore be it:

**RESOLVED**, that the Board of Directors authorizes the President to draft public comments on behalf of the Board of Directors of CEFIA that are reviewed and approved by the Chair of the Board of Directors, and submitted to the New York State Public Service Commission before the October 28, 2013 due date.

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**11. SunShot Initiative Rooftop Solar Challenge Presentation—CT's Sun Rise New England: Open for Business Project**

Ms. Price and Mr. Trahan discussed the SunShot Initiative Rooftop Solar Challenge, a national effort to make installing rooftop solar PV easier, faster and cheaper for homeowners and businesses in Connecticut. The key goals under the initiative are to develop and implement strategies that bring down the cost of clean energy and to reduce the reliance on grants, rebates and other subsidies and move towards innovative low-cost financing of clean energy deployment. Ms. Price talked about both hard and soft costs for solar PV in Connecticut and in comparison with Germany. She

summarized the importance of Connecticut focusing on reducing soft costs, particularly solar PV permitting fees. Ms. Price discussed the average permitting fees for 12 participating towns. Mr. Trahan suggested developing an online municipal rating system that provides a scorecard measuring each municipality's solar readiness. Staff was asked to strongly encourage the towns to reduce permitting fees by February and make them aware that a list with rankings will be published in the future (i.e. March 2014). A suggestion was also made to provide the municipalities with a list of best practices and/or model planning and zoning practices.

Mr. Trahan discussed some of the legislative efforts made, including the enactment of commercial property tax waivers and the proposed mandate of a permit fee waiver and/or cap. He talked about engaging insurance companies to lower workman's compensation insurance and other installer insurance costs.

Ms. Price summarized the key recommendations which include implementing permitting improvements, reducing or eliminating planning and zoning barriers, working with Solar CT to maintain an online municipal rating system, legislative efforts, improving interconnection guidelines, reducing workman's compensation insurance and working with the state to offer free solar PV training for building officials.

Ms. Price provided an overview of the SunShot round 2 goals and next steps. Mr. Garcia noted that the Board will be kept abreast of efforts, and any comments on the information presented or the initiative should be directed to Ms. Price.

**12. Adjournment:** Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adjourning the October 18, 2013 meeting at 11:27 a.m.

Respectfully submitted,

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Catherine Smith, Chairperson