

**CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**  
**Board of Directors**  
**Minutes – Regular Meeting**  
**Friday, November 15, 2013**

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on November 15, 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 9:32 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; Tom Flynn; Reed Hundt (by phone); and Matthew Ranelli (by phone).

Members Absent: Norma Glover; John Harrity; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development; and Patricia Wrice.

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Shelly Mondo, Kerry O’Neill, Cheryl Samuels, and Genevieve Sherman.

Others Attending: Jamie Howland, Environment Northeast; Henry Link, Enviro Energy Connections; Alex Kragie, DEEP; and Melissa Patterson.

2. **Public Comments**

There were no public comments.

3. **Approval of Minutes of Meeting of October 18, 2013**

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

**Upon a motion made by Mr. Flynn, seconded by Mr. Hundt, the Board members voted unanimously in favor of adopting the minutes from the October 18, 2013 meeting.**

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

#### **4. Commercial and Industrial Sector Program Updates and Recommendations:**

##### ***a. C-PACE Sell Down***

Mr. Hunter discussed the C-PACE warehouse facility. He mentioned that in February 2013, the Board authorized an allocation of \$20,000,000, and in September 2013 increased the allocation to \$40,000,000 in support of the C-PACE Program. Mr. Hunter acknowledged the leadership of the Governor and support of the legislature and other stakeholders. He thanked the C-PACE, legal and finance teams for their efforts with putting together an excellent process for technical review, mortgage holder consent, underwriting procedures and credit guidelines, and documentation that helped to effectuate a successful program. Mr. Hunter stated that approximately 70 towns have received approval to participate in the program, and the technical review process and program documents have been standardized. He mentioned that the C-PACE program continues to meet the target that \$20,000,000 of the C-PACE warehouse facility will be committed by the end of the calendar year. He explained that staff issued an Initial Offering Notice to solicit bids from the program's capital providers through a "sealed bid" process to sell the C-PACE transactions. Mr. Hunter summarized that staff recommends authorization to sell the first eight closed C-PACE transactions and the next \$20,000,000 of eligible C-PACE benefit assessments to the Clean Fund. He discussed the rationale for selecting the Clean Fund. In response to a question, Mr. Hunter explained that the loans will be bundled and sold, and the funding from the sale can be used to make new loans. He spoke about the diversity of the transactions being sold. Mr. Hunter reviewed the process and terms and conditions of the private placement which will potentially be sold to the public market. He indicated that the Clean Fund is expected to make a good faith deposit to purchase the bonds in the next several days, and the closing should occur in December 2013.

Mr. Hunter highlighted that the transactions will be sold at a slight discount, which is well within the targets that were set, and he noted that this is particularly good because the initial rates to end users were discounted to stimulate activity in the C-PACE program. In response to a question, Mr. Hunter mentioned that the terms of additional tranches will be similar to these terms and indicated that the prices are based on a spread over LIBOR.

**Upon a motion made by Mr. Ranelli, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolution authorizing the sale of C-PACE transactions to the Clean Fund:**

**WHEREAS**, Pursuant to 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; and

**WHEREAS**, the Board of Directors previously passed resolutions authorizing the establishment of a \$40 million construction and term loan facility in support of the C-PACE program to fund C-PACE transactions approved at the requisite authorization level by staff, the Deployment Committee or the Board of Directors (the “C-PACE Warehouse Facility”); and

**WHEREAS**, CEFIA established the C-PACE Warehouse Facility and has closed over \$15 million in C-PACE projects; and

**WHEREAS**, CEFIA staff requests the Board of Directors approve the sale of the first 8 closed C-PACE transactions and the next \$20 million of C-PACE benefit assessments to Clean Fund through a financial conduit; and

**WHEREAS**, the Board of Directors directed staff to sell-down such funded C-PACE transactions to private capital providers in order to continually replenish funding capacity for the C-PACE program on an ongoing basis; and

**WHEREAS**, staff’s request 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 the sale of the first 8 closed C-PACE transactions and the next \$20 million of C-PACE benefit assessments to Clean Fund.

**RESOLVED**, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract in furtherance of the sell-down transaction consistent with the Memorandum to the Board of Directors dated November 8, 2013, as updated for the Board of Directors on November 15, 2013.

**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 affect the above-mentioned legal instrument.

***b. Sofia’s Plazas I and II, East Windsor, CT***

Ms. Sherman discussed the request for C-PACE construction and term loan financing to fund the \$1,001,298 energy efficiency project at 2 North Road and 122 Prospect Hill Road, East Windsor, CT. She mentioned that the project consists of two different buildings on adjacent properties with the same owner. Ms. Sherman reviewed the cash flow projections, key financial metrics and terms and conditions of the loan. Ms.

Sherman mentioned that there is positive cash flow in year 1. Attorney Farnen mentioned that the financing agreements for the C-PACE transactions have been standardized and template forms of agreement have been prepared, and staff will highlight when there are any material deviations from the standard forms and processes or anything that requires attention or review. In future presentations, staff was asked to provide the change in cash flow anticipated.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Flynn, the Board members voted unanimously in favor of adopting the following resolution regarding the C-PACE transaction for Sofia's Plazas I and II, East Windsor, CT:**

**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 Sofia's Plaza LLC, the property owner of 2 North Road and 122 Prospect Hill Road, East Windsor, CT to finance the construction of specified clean energy 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 November 8, 2013, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from November 15, 2013.

**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.

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

### *a. Budget and Operations Committee*

Consideration of the resolution regarding recommended changes to the CEFIA Employee Handbook was deferred until the December meeting.

### *b. 2014 Schedule of Board and Committee Meetings*

Mr. Garcia explained that the proposed Board meeting schedule has been changed from quarterly to six times per year and will be held in the month following each quarter with two additional meetings. He noted that there will be an opportunity for transactions to be approved every month by either the Board and/or Deployment Committee, with the exception of August. Mr. Garcia mentioned that the April 2014 meeting will be held on April 25, 2014 due to the Good Friday holiday. Consideration of the meetings schedules was deferred until the December meeting.

## 6. **Update from the President**

Mr. Garcia mentioned that staff is in the process of developing several multifamily low-income housing programs. Staff is working with the Connecticut Housing Investment Fund ("CHIF") and the Connecticut Housing Finance Authority. Ms. O'Neill mentioned that a strategic initiative will be presented next month that will add capital to a multifamily rating pool with CHIF. An update on the multifamily programs in development will be sent to the Board in the next several weeks.

Mr. Garcia provided an update on the Green Bank model. He indicated that talking points were sent to the Board, and additional information is available, including a PowerPoint slide presentation. Mr. Garcia mentioned that a Green Bank academy will be held in February for other states considering or in the process of establishing a green bank and other stakeholders to collaborate and share information. He spoke about partnering with the Connecticut Bankers Association on two workshops to provide more information about residential products and commercial products. Mr. Garcia mentioned that staff continues to find ways to improve its involvement with the banking industry to seek further investments in clean energy.

Mr. Garcia spoke about the Efficient Connecticut workshop sponsored by representatives from CEFIA, DEEP, utilities and the U.S. Department of Energy that was held yesterday, November 14, to build relationships among the respective staffs, assess what is being done with policy implementation and to learn about national best practices. He noted that the workshop focused on data, including data access, labeling, benchmarking and measuring success.. He recognized and thanked Katie Dykes, Tracy Babbidge, and Diane Duva from DEEP for their support.

Mr. Garcia discussed the Matchmaking IV event that will be held in collaboration with the Renewable Energy and Efficiency Business Association and the Connecticut Energy

Efficiency Fund on December 3 to match-make energy efficiency and renewable energy contractors with financing within the commercial and industrial and residential sectors. A pre-event workshop in partnership with DECD will be held to support the growth of small businesses in the energy sector through the Small Business Express Program.

#### **7. Statutory and Infrastructure Sector Program Updates:**

Mr. Healey provided an update on the Class I Renewable Energy Credit (“REC”) Asset Portfolio Renewable Portfolio Standard (“RPS”). He mentioned that Connecticut’s RPS requires a certain percentage of the state’s electric load come from renewable energy sources each year. The RPS fulfillment is measured in RECs. The 11 percent of load required for 2014 represents approximately 3,025,000 Class I RECs in the coming year. Mr. Healey stated that CEFIA owns the RECs from solar PV systems under the Residential Solar Investment Program (“RSIP”), and the average RSIP system produces about 8 RECs per year. He indicated that CEFIA has approved over 2,000 systems and has over 16,000 RECs to sell in the coming year. Mr. Hedman spoke about the partnership with Locus to monitor every system. It was noted, however, that some of the meters have not yet been loaded, and are not yet included.

Mr. Healey reviewed the maximum allowable selling price for the RECs in accordance with the Alternative Compliance Payment cap. Noting that the market is currently short RECs, it is anticipated that RECs traded in the near future will trade near the cap. Mr. Healey discussed the estimated net present value of CEFIA RECs with the different contract lengths. The Board talked about the changes to the supply and demand and potential impacts on the value. Mr. Healey mentioned that CEFIA issued a Request for Qualifications in the summer and currently has five qualified brokers ready to price a transaction for CEFIA when ready. Staff asked for guidance from the Board on how to proceed with managing the current REC asset portfolio and future contracts. There was general agreement from the Board to move forward with trading the existing portfolio of RECs created in 2013 but asked that this issue be discussed further with both the Deployment Committee and Budget and Operations Committee. The committees should also discuss and analyze how to proceed in the future and report back at the next Board meeting. Staff was asked to keep the Board apprised of REC prices.

#### **8. Personnel Matter:**

Mr. Esty mentioned that he and Ms. Smith completed a performance evaluation for Mr. Garcia. Details of the favorable results of the performance evaluation will be discussed during executive session. **Upon a motion made by Mr. Esty, the Board members present voted unanimously in favor of going into executive session at 10:20 a.m. to discuss this personnel matter.**

The executive session ended at 10:30 a.m., and the meeting was immediately reconvened.

9. **Adjournment**: Upon a motion made by Ms. Ferguson, seconded by Mr. Flynn, the Board members voted unanimously in favor of adjourning the November 15, 2013 meeting at 10:32 a.m.

Respectfully submitted,

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Catherine Smith, Chairperson