CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Regular Meeting
Monday, November 21, 2011

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the "Authority")** was held on November 21, 2011, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **<u>Call to Order</u>**: Catherine Smith, Chairperson of the Authority and Commissioner of the Department of Economic and Community Development, called the meeting to order at 9:10 a.m. Board members participating: Mun Choi; Daniel Esty, Vice Chairperson of the Authority and Commissioner of the Department of Energy and Environmental Protection; Norma Glover; Reed Hundt (by phone), John Olsen; Matthew Ranelli; Mark Cirilli (by phone); Catherine Smith, Commissioner of the Department of Economic and Community Development; and Patricia Wrice.

Member Absent: Jonathan Harris, State Treasurer's Office

Staff Attending: George Bellas, Keith Frame, Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Shelly Mondo, and Cheryl Samuels.

Others Attending: Eric Brown, CBIA; Bruce Chudwick, Shipman & Goodwin; Peggy Diaz, DEEP; Donald Kirshbaum, State Treasurer's Office; Henry Link, Enviro Energy Connections; Scott Murphy, Shipman & Goodwin; Rima Oueid, Department of Energy (by phone); Jessica Bailey, the Rockefeller Brothers Fund (by phone); William Sawicki, Marcum LLP; John Schuyler, Marcum LLP; and Richard Shaw, UTC.

2. **<u>Public Comments</u>:** There were no public comments.

3. **<u>Approval of Minutes of Meeting of October 31, 2011</u>:**

Ms. Smith asked the Board to consider the minutes from the October 31, 2011 Board meeting. Ms. Smith provided an update to her legislative report including a correction.

There was consensus to make the following change to the draft minutes:

- The location of the meeting should be changed to the Offices of the Department of Energy and Environmental Protection, 79 Elm Street, Hartford.
- The meeting began at 11:01 a.m.
- The following sentence made by Ms. Smith under "Legislative Update" should be removed "Ms. Smith noted that the new legislation also includes a sales tax reduction for the purchase of local fuel cells."

Upon a motion made by Ms. Glover, seconded by Mr. Esty, the Board members voted unanimously in favor of adopting the minutes from the October 31, 2011 meeting as amended.

4. <u>Recommendation by the Audit, Compliance and Governance Committee to the Board for Approval of FY2011 Draft CCEF Audited Financial Statements</u>:

Mr. Olsen provided the Audit, Compliance and Governance Committee ("Audit Committee") report. He mentioned that the Audit Committee met earlier this morning with representatives from Marcum LLP, independent auditors, and reviewed and recommends the approval of the draft CCEF Audited Financial Statements for the fiscal year ending 2011. Mr. Bellas mentioned that the draft financial statements were provided to the State Comptroller's office, and the final financial statements will be forwarded after approval by the Board. He stated that there are no changes between the draft and the final reports.

Mr. Schuyler stated that Marcum provided a clean unqualified opinion in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. He stated that there were no deficiencies, adjustments or issues with the FY2011 financial statements for CCEF. Mr. Schuyler encouraged the Board members to contact Marcum with any questions or concerns.

Questions arose regarding the audit performed by the State Auditors of Public Accounts. Mr. Olsen stated that the State Auditors made two audit findings, both of which were reviewed and discussed by the Audit Committee. He noted that staff has put mechanisms in place to address both findings. One of the findings related to performance evaluations for employees that were promoted and the other was related to ensuring the receipt of written quarterly financial reports from grant recipients. Ms. Smith asked the Audit Committee to provide the Board with regular updates on audit and compliance matters as they arise.

Upon a motion made by Mr. Olsen, seconded by Mr. Ranelli, the Board members voted unanimously in favor of accepting the recommendation of the Audit, Compliance and Governance Committee to approve the Audited Financial Statements and Federal Single Audit Report of the Connecticut Clean Energy Fund for the Fiscal Year Ending June 30, 2011.

5. Update from the President:

Mr. Garcia reported that he accepted an award on behalf of the Governor from the People's Action for Clean Energy for Connecticut's leadership on clean energy.

Mr. Garcia mentioned that all committees except for the Technology Innovation Committee have been assembled. The Audit Committee is comprised of Mr. Olsen, as Chair, Ms. Wrice and Mr. Ranelli. In the event there is not a quorum on any of the committees, Mr. Garcia stated that the Bylaws allow Ms. Smith, as Chair, and/or Mr. Esty, as Vice Chair, to participate and vote on that committee. It is anticipated that the Audit Committee will meet two times a year in 2012 (March and September). The Budget and Operations Committee ("Budget Committee") is comprised of Mr. Esty as Chair, Mr. Choi and Ms. Glover, and it is anticipated that the Budget Committee will also meet two times a year in 2012 (May and November). The first meeting of the Budget Committee will be held on December 12. The Deployment Committee is comprised of Mr. Hundt as Chair, Mr. Ranelli, Mr. Cirilli, Ms. Wrice and Mr. Harris, as ex officio per the bylaws. Mr. Garcia mentioned that he is working with Mr. Hundt to establish an Advisory Committee of the Deployment Committee to obtain additional expert advice and insight. It is anticipated that the Deployment Committee will meet four times a year in 2012 (February, May, August and November). Mr. Garcia mentioned that he is presently working to assemble the Technology Innovation Committee.

Mr. Garcia provided an update on the Executive Vice President and Chief Investment Officer search. He mentioned that approximately 25 resumes have been received, but he would like to attract more applicants. Mr. Garcia stated that the Chief of Staff position was advertised last week. He indicated that it is hopeful that both positions will be filled in January.

Mr. Garcia thanked Ms. Smith and Mr. Kip Bergstrom from the Department of Economic and Community Development for pushing the solar thermal projects forward. He noted that staff has received all of the SHPO approvals that were outstanding as of the Board's October meetings.

6. Strategic Planning Retreat: Results and Next Steps:

Mr. Garcia summarized some of the key discussions held during the Strategic Planning Retreat that was held on November 7 and 8. He indicated that 33 people attended, including representatives from the Board, staff, public agencies, public utilities, end-users, contractors, financiers and facilitators. Mr. Garcia briefly reviewed the agenda for the retreat and noted that there were many expectations and different views about the role CEFIA should play in the future of clean energy in Connecticut. He stated that the group discussed the first ten years of the Connecticut Clean Energy Fund in developing a market for renewable energy in Connecticut and how to take the next steps for CEFIA to help advance a clean energy in Connecticut in the future.

Mr. Garcia stated that the group talked about the following vision for CEFIA: "Attract and deploy capital to finance the clean energy goals for Connecticut." The Board discussed the statement and a comment was made that the statement is more of a mission rather than a vision. The Board would like to see a more visionary statement that identifies the outcomes that would be achieved if CEFIA were successful. The current vision statement should be noted as the first goal for CEFIA.

Mr. Garcia reviewed some of the proposed goals which include: 1) become the most energy efficient state in the nation; 2) scale-up the deployment of renewable energy in the state; and 3) support the infrastructure needed to lead the clean energy economy. In response to a suggestion, Mr. Garcia stated that the next steps will include putting in more specific strategies, tactics and a timeframe for achieving the proposed goals. He indicated that several strategies were identified for CEFIA to pursue and include: 1) leveraging private capital using public funds by lowering the cost of capital; 2) aggregating on the demand-side to lower costs to customers, and on the finance side lowering transaction costs and costs of capital; and 3) educating customers about the opportunity for clean energy (i.e. renewable energy and energy efficiency) in Connecticut. A discussion ensued on CEFIA's role in aggregating to attract more private capital. Mr. Garcia indicated the need to look at standardizing programs to help spread some risk. A discussion also ensued about the need to appropriately manage risk. A suggestion was made to revisit CEFIA's priorities and to look at some of the mandates from a financing perspective. A suggestion was also made to work with and coordinate with other agencies such as CHFA and other housing agencies.

It was noted that at the October meeting, there was general consensus that CEFIA should focus on the deployment of clean energy more than venture capital investing. A suggestion was made to have the economic development agencies meet and determine the added value of each agency and simplify the processes of the deal flow. In response to a question about the demand on the finance side, Mr. Garcia stated that understanding the market potential better is one of the next steps.

Mr. Garcia stated that the group at the retreat agreed that CEFIA's role should be to leverage private capital in order to help Connecticut meet its clean energy agenda. He discussed the measures of success which include: 1) the deployment of X private capital leveraged by X public funds; 2) total dollars of investment in clean energy; 3) ratio of private capital to public funds; and 4) the amount of clean energy deployed. A comment was made that too much emphasis may be placed on investment capital while potentially overlooking one of the main objectives of focusing on clean energy and air quality in Connecticut. A suggestion was made to move the amount of clean energy deployed to the first measure of success. There was general consensus that promoting Connecticut as a clean energy state should be the number one priority for CEFIA. The Board discussed whether and how to incorporate "cheaper" energy into its priorities. A suggestion was made and there was general consensus to identify principles that measure each goal. It was noted that the Connecticut energy agenda is much broader than CEFIA's, and it is important for CEFIA to have a clear understanding of its role in supporting "clean energy". There was consensus that the targets and measurable goals have to be clear and specific. For an upcoming meeting, staff was asked to develop specific aims focusing on clean and cost efficient energy.

A suggestion was made to add the word "profitable" to the following goal: "Become the most 'profitable' energy efficient state in the nation." An opposing view was presented that if profitability is included, clean air, quality and efficiency may be affected. There was no consensus on this issue. Questions arose as to how CEFIA will help to achieve the 20 percent renewable energy by 2020 target. Staff was asked to specifically indicate how CEFIA can help to succeed with the goal, how the grid will be impacted by the 20 percent goal, and how the benefits will be distributed through the state geographically.

A brief discussion ensued on the Integrated Resource Plan ("IRP") and a suggestion was made to bring in people to do a presentation on CEFIA's role with the IRP.

Mr. Garcia spoke about the proposed timeframe with the Comprehensive Plan. He indicated that the programs have to be implemented in accordance the Comprehensive Plan. It is anticipated that the Comprehensive Plan will be completed in March. Ms. Smith stated that if the Comprehensive Plan requires any potential legislative changes, staff should be prepared to present those changes as early as possible. Mr. Garcia indicated the desire to create a longer-term Comprehensive Plan. He noted the significant time in the past spent by staff and the Board preparing and reviewing the Comprehensive Plan. Unlike the past, Mr. Garcia stated that the CEFIA Board is the only governing body that has to approve the Comprehensive Plan. After discussion on how to proceed, there was general consensus that the Comprehensive Plan should be a five-year plan that is reviewed after three years with ongoing annual program evaluation, monitoring and evaluation reports. A suggestion was made to form a team to help staff develop a longer-term Comprehensive Plan. Ms. Smith asked Board members who may be interested in participating to contact Mr. Garcia. Staff will be report back in December on this issue.

Mr. Garcia reviewed some of the near-term next steps which include: repurposing the American Recovery and Reinvestment Act ("ARRA") State Energy Program ("SEP") grants, commission an investment grade Connecticut market potential study, partner with the State and Connecticut Energy Efficiency Fund on a joint marketing campaign, tout program successes, launch solar programs, and ensure Project 150 success. Mr. Garcia will be bringing several of these next steps for approval to the December meeting.

Mr. Garcia discussed the ARRA program. He explained that at the October 31, 2011 Board meeting, the Board directed him to ensure that all ARRA funds are utilized and no funds are returned to the U. S. Department of Energy ("DOE"). Mr. Garcia stated that Connecticut through the Office of Policy and Management ("OPM") Energy Office received $38,542,000 of grant funding under ARRA. The OPM Energy Office approved the following allocation of funds for renewable energy for the Connecticut Clean Energy Fund ("CCEF"): $4,000,000 for solar thermal, $5,000,000 for geothermal, $3,000,000 for Solar PV, and $8,000,000 for fuel cells. The plan approved involved CCEF making grants to the projects that fell within the renewable energy category. Mr. Garcia stated that as a result of the passage of Public Act 11-80 on July 1, 2011 OPM Energy Office merged into the Department of Energy and Environmental Protection ("DEEP") and CCEF merged into CEFIA. He indicated that all $20,000,000 of the SEP grants have been approved, but only about $4,000,000 has been expended to date since the inception of the program in August 2009. After speaking with Rima Ouied, Policy Advisor of Distributed Generation Deployment and Finance Lead from DOE, Mr. Garcia stated that another option was identified.

Ms. Ouied explained how several other states have repurposed their ARRA grants to finance programs to allow clean energy investments to scale beyond one-off grants. She stated that a special purpose third-party entity (i.e. CEFIA) can be set up to provide a flexible vehicle to use the current federal funding. Ms. Ouied noted that once the money is drawn down from Treasury and moved from DEEP (as OPM's successor) as the grantee to CEFIA as the third-party entity, that the DOE will consider the funds completely expended. Mr. Garcia explained the proposed process and timeline to ultimately transfer the financing program funds to CEFIA. Ms. Oueid stated that the DOE will be available to provide CEFIA with technical assistance.

Mr. Garcia explained the need to expend the funds prior to April 30, 2012, repurpose a portion of the funds from grants to the finance model and develop an innovative financing program that utilizes ARRA SEP grants as tools for scaling up clean energy investments in Connecticut. He discussed the process for determining whether ARRA funds will be utilized or funds from the Clean Energy Fund.

In response to a question about unused ARRA funds, Mr. Esty stated that he was told by DOE that any unspent funds would revert back to the Treasury and not be available for reallocation.

> **Upon a motion made by Mr. Olsen, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following revised Resolution of Purposes Pursuant to Section 16-245n of the Connecticut General Statutes, conditioned upon approval by the State Office of Policy and Management and Department of Energy and Environmental Protection:**

WHEREAS, the purpose of the American Recovery and Reinvestment Act ("ARRA") State Energy Program ("SEP") funds obligated to the Connecticut Clean Energy Fund ("CCEF") by Connecticut's Office of Policy and Management ("OPM") are consistent with the comprehensive plan adopted by the Board of Directors of the CCEF; and

WHEREAS, pursuant to Public Act 11-80, OPM's energy functions have been transferred to the Department of Energy and Environmental Protection ("DEEP"), and CEFIA now administers the CCEF;

WHEREAS, CEFIA must expend all of its AARA SEP funds before April 30, 2012, or risk sending unspent funds back to the federal government; and

WHEREAS, at the October 31, 2011 meeting of the Board of, the Board directed the CEFIA President and staff to develop a contingency plan to ensure that all ARRA SEP funds are expended by the deadline; and

WHEREAS, discussion with staff of the federal Department of Energy ("DOE") revealed the option of repurposing the ARRA SEP funds from grant/incentive programs to financing programs; and

WHEREAS, repurposing of these funds requires the cooperation, approval and obligation of funds by DEEP; and

WHEREAS, the DOE will consider as fully expended any funds so repurposed at the time the funds are obligated, contracted and transferred from DEEP to CEFIA, as a third-party administrator for financing programs; and

WHEREAS, the CEFIA Board wishes to empower the President of CEFIA to take certain actions to repurpose the ARRA SEP funds before the April 30, 2012 deadline.

NOW, THEREFORE, BE IT:

RESOLVED, that the Board hereby authorizes and directs the President of CEFIA to engage in discussions with DOE and DEEP to determine the feasibility of transitioning a portion of CEFIA's ARRA SEP funds financing programs, as allowed by the DOE, which may include revolving loan funds, loan loss reserve funds, interest rate buy downs, or third-party loan insurance.

RESOLVED, that if such transition of funds is feasible and allowed by the DOE and DEEP, then the Board authorizes and directs the President of CEFIA to immediately take the steps necessary to begin and complete the transition process as quickly as possible.

RESOLVED, the projects approved for ARRA funding but which have not received such funding by December 31, 2011 will receive CCEF funding instead of ARRA funding.

RESOLVED, that the President of CEFIA shall report to the Board no less than monthly on the progress of this process.

RESOLVED, that this Board action is consistent with Connecticut General Statutes § 16-245n, as amended by Section 99 of Public Act 11-80, and with the CCEF's comprehensive plan.

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 this Resolution on such terms and conditions as he or she shall deem to be in the interests of CEFIA and the ratepayers, in conformance with the wishes of the Board, and in conformance with CEFIA's operating procedures.

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.

7. Memorandum of Understanding Between CI and CEFIA:

Mr. Garcia explained the proposed Memorandum of Understanding ("MOU") between CI and CEFIA. He stated that Section 99 of Public Act 11-80 deemed CEFIA as a quasi-public agency, and CEFIA is within CI "for administrative purposes only." Article X of the CEFIA Bylaws state that the CI and CEFIA relationship shall be memorialized in a contract for services. The proposed MOU sets forth the specifics of the relationship between the CEFIA and CI. Mr. Garcia stated that CI will provide administrative support services for CEFIA, including accounting, human resources and information technology services. The MOU also memorializes the supportive infrastructure, including cost sharing and reimbursement, use and occupancy of leased space and investment services, and technical expertise functions.

In response to a question, Ms. Smith explained the fee for service arrangement for the sharing of staff expertise.

Upon a motion made by Mr. Olsen, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution approving the Memorandum of Understanding between Connecticut Innovations, Incorporated and the Clean Energy Finance and Investment Authority:

RESOLVED, that a Memorandum of Understanding ("MOU") between Connecticut Innovations, Incorporated ("CI") and the Clean Energy Finance and Investment Authority ("CEFIA") providing for the sharing of office space and the provision by CI and CEFIA of specified administrative support and services consistent with the provisions of Section 16-245n of the Connecticut General Statutes, as amended by Public Act No. 11-80, which MOU shall be substantially in the form presented to this meeting, is hereby approved, and the President and Chief Executive Officer is hereby authorized to execute and deliver the MOU on behalf of CEFIA.

8. Technology Innovation Program Overview:

Mr. Frame provided an overview of the Technology Innovation Programs. He explained that Section 99 of Public Act 11-80 anticipates that CEFIA will support emerging technologies that have significant potential for commercialization. Mr. Frame discussed the history of the Operational Demonstration Program, which began in 2001. He explained how the successful operational demonstration program support has leveraged significant federal and private funding to expand and commercialize technology. Mr. Garcia explained how CEFIA reduces the technology risk under the program to help attract outside capital (i.e. venture capital from Connecticut Innovations). Under the program, the technology goes through testing and validation so that the technology is more attractive to private investors. Mr. Frame stated that infrastructure support and resource assessment is provided under the Technology Innovations Programs. He briefly discussed the rigorous method for evaluating the technology. Mr. Frame discussed the Alpha Program funding structure and evaluation criteria. With respect to the Technology Innovation Program, Mr. Frame summarized that the next steps are to form a Technology Innovation Committee and appoint members from the Board to participate on that committee. Mr. Garcia proposed that a small proportion of the CEFIA funds (i.e. 10 to 15 percent) be dedicated to support emerging technologies. The Board asked that Mr. Frame and Mr. Garcia meet with the other economic development agencies (i.e. CI, DECD, CDA, SBIR, etc.) to assess the value CEFIA provides emerging technologies to support the innovation hub or infrastructure needed to help Connecticut lead the clean energy economy.
After discussion by the Board Ms Smith and Mr. Esty agreed to table the decision to staff the Technology Innovations Committee until the December 16 Board meeting.

9. Human Resources: General Counsel Search:

Mr. Garcia discussed the results of the General Counsel search. He indicated that 44 applications were received. Telephone interviews were conducted with 14 candidates, and in-person interviews were held with 8 candidates. Four finalists were invited to write memorandums. Mr. Garcia stated that Brian Farnen was hired to fill the General Counsel position. He described Mr. Farnen’s background and experience. Mr. Garcia stated that he does not propose making any changes to the General Counsel position description at this time.

10. Adjournment: Upon a motion made by Mr. Esty, seconded by Mr. Choi, the Board members voted in favor of adjourning the November 21, 2011, meeting at 10:55 a.m.

Respectfully submitted,

Catherine Smith, Chairperson