

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Special Meeting
Friday, November 30, 2012

A special meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on November 30, 2012, at the office of the Department of Energy and Environmental Protection, the Russell Room at 79 Elm Street, Hartford, CT.

1. Call to Order: Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:15 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”); Norma Glover; Reed Hundt; Sharon Dixon-Peay, State Treasurer’s Office; John Olsen; Matthew Ranelli; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (“DECD”), and Patricia Wrice.

Member Absent: Tom Flynn.

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Alexandra Lieberman, Dave Ljungquist (by phone), Shelly Mondo, Cheryl Samuels and Kimberly Stevenson.

Others Attending Include: Chris Bernard, Northeast Utilities; Michael Bishop, FuelCell Energy; Mitch Kennedy, CBIA; Alex Kragie, DEEP; Henry Link, Enviro Energy; Melissa Patterson-Meador; and Frank Wolak, FuelCell Energy.

2. Public Comments:

There were no public comments.

3. Approval of Minutes of Meeting of September 28, 2012:

Ms. Smith asked the Board to consider the minutes from the September 28, 2012 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Glover, the Board members voted in favor of adopting the minutes from the September 28, 2012 meeting as presented (Mr. Esty, Mr. Olsen and Ms. Wrice were not present for the vote).

4. Update from the President:

Mr. Garcia reported on ethics training and noted that ethics training is required annually for all Board members and staff. Staff will be putting together a formal training session that will be offered one hour before the December Board meeting, and on-line training is offered for those not able to attend.

Mr. Garcia acknowledged Mr. Hedman who on behalf of CEFIA received the state leadership in clean energy ("SLICE") award for CEFIA's Connecticut Solar Lease Program. He noted that the program supported more than 850 residential leases throughout the state, and is a model for private/public partnership in financing the deployment of clean energy.

Mr. Garcia spoke about the fuel cell seminar and exposition that was held last month at Mohegan Sun. He stated that Connecticut was successful in competing against other states to host the event. Mr. Garcia mentioned that Connecticut Innovations, Department of Economic and Community Development and Connecticut Hydrogen Fuel Cell Coalition collaborated on a Connecticut exhibit space and the Department of Transportation provided the use of the fuel cell bus to take tours across the state at destinations where fuel cells have been deployed. Senator Blumenthal, Congressman Larson and Commissioner Smith were speakers at the event that drew over 1,200 attendees from 38 states and 27 countries. Ms. Gladys Rivera was commended for leading the organization of the event and Mr. Goldberg was acknowledged for helping to prepare excellent talking points for the event.

5. Project 150 Bridgeport Fuel Cell Project:

Attorney Farnen opened a discussion on the Bridgeport Fuel Cell project proposal. He noted the potential to go into executive session, upon a 2/3 vote of the majority of the members present, to discuss confidential, commercial and financial information, terms still being negotiated and/or information given in confidence. Attorney Farnen cautioned that the developer, Fuel Cell Energy, has asked that the potential investor's name remain confidential at this time as negotiations are still ongoing and urged the Board members to refrain from using the name during the public portion of the meeting.

Mr. Garcia stated that the Bridgeport Fuel Cell proposal balances the new mission of the green bank in terms of financing clean energy projects and supporting job creation and economic development, while fitting within CEFIA's strategic plan and budget. He reviewed CEFIA's strategic goals. Mr. Garcia noted that Mayor Bill Finch and the City of Bridgeport is very supportive of the project. He explained how this project will help

CEFIA to attract and deploy private capital to deploy renewable energy in Connecticut. The Bridgeport fuel cell project sponsored by FuelCell Energy will be the largest fuel cell project in the State of Connecticut and in the country.

Mr. Hunter explained that the Bridgeport Fuel Cell proposal was submitted in response to a Request for Proposals (“RFP”) that was issued by the Connecticut Clean Energy Fund (“CCEF”) in 2008 under Project 150. Project 150 was a legislatively mandated program designed to encourage clean energy projects through long-term energy purchase agreements. Mr. Hunter stated that based on certain identified criteria, the project was rated and ranked the highest of 9 proposals submitted and reviewed in that third round of funding under Project 150. In October 2008, the 15 MW Bridgeport fuel cell project was approved by the CCEF Board for grant funding in the amount of \$1,550,000 subject to conditions of Project 150. Mr. Hunter stated that CEFIA maintains committed to Project 150 and the Bridgeport fuel cell project and has budgeted additional funds in the 2013 fiscal year to support loan financing.

Mr. Hunter spoke about the background, capacity and capital raised by Fuel Cell Energy for the project. He described some of the other fuel cell projects sponsored by Fuel Cell Energy. Mr. Hunter discussed in detail the 15 MW hybrid electrical generating facility proposed to be developed in Bridgeport that will generate approximately 115,000 MW hours of electricity annually. He mentioned that Fuel Cell Energy is in final negotiations with an investor and is hoping to close in December. Mr. Hunter summarized the commercial aspects of the project and described the 15-year energy purchase agreement with Connecticut Light & Power. He discussed the structure of the transaction and talked about some of the risks and explained how the risks will be managed. Mr. Hunter summarized that the feasibility study performed indicated that the project location is suitable, the technology is sound and proven and should last 20 years with proper operation and maintenance, the assumptions made are reasonable, the construction schedule is achievable and there are no issues with the owner/developer. He described how the project fits within the strategic goals of CEFIA and as a strategic selection and award because of its: special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics.

Mr. Hunter described CEFIA’s proposed role in funding for the project, including the grant that was approved by the CCEF Board in the amount of \$1,550,000, the assumption by Fuel Cell Energy of a predevelopment loan of \$500,000 with accrued interest of \$300,000 and an additional \$5,000,000 in loan financing. He reviewed the proposed terms and conditions of each of the funding pieces. Mr. Hunter summarized some of the benefits of the proposal which include: CEFIA’s participation will be leveraged 9 to 1, approximately 161 jobs will be retained or created (135 of which will be in Connecticut), the manufacturing will be retained in Connecticut, the company is headquartered in Connecticut, the site is located on a Brownfield site in a DECD distressed community, and CEFIA will be increasing the fuel cell capacity in the State of Connecticut. It was noted that this project will expand Connecticut’s current planned installed fuel cell capacity by 55 percent, and the project will produce approximately 2 percent of the total Renewable Portfolio Standard required by 2020. Mr. Hunter

discussed some of the risks associated with the proposal and the ways the risks can be mitigated.

Mr. Hunter talked about the proposed project schedule to achieve completion by December 2013. In response to a question, a representative from Fuel Cell Energy indicated that all relevant permits are in place. Mr. Hunter discussed some of the environmental issues and risks and stated that Fuel Cell Energy is confident that the remediation plan is achievable and will be executed as planned. He explained that CEFIA's Grant will not be payable until 60 days after the commercial operation date and the Loan would only be advanced after site remediation has been completed.

A discussion ensued on the location of the project, and questions arose as to whether there are any potential issues with flooding. The Board discussed the new FEMA standards, and it was noted that it is believed that the project is outside of the 100 year flood zone. A representative from Fuel Cell Energy indicated that project location is at a high elevation, and he is comfortable that the project is not within the risk area. Fuel Cell Energy was asked to provide more details about the location relative to flooding and to confirm whether an analysis was done based on new FEMA maps.

Upon a motion made by Ms. Glover, seconded by Ms. Wrice, the Board members voted unanimously in favor of going into executive session at 9:51 a.m. to discuss confidential commercial and financial information, terms still being negotiated and/or information given in confidence regarding the Bridgeport Fuel Cell project. Mr. Dykes, Attorney Farnen, Mr. Garcia, Mr. Goldberg, Mr. Hunter, Mr. Ljungquist, Mr. Wolak and Mr. Bishop were invited to remain during the executive session.

Mr. Wolak and Mr. Bishop left the executive session at 10:35 a.m. The executive session ended at 10:50 a.m., and the special meeting was immediately reconvened.

Mr. Choi left the meeting at this time.

The Board was asked to consider the resolution regarding the Bridgeport Fuel Cell Project. Attorney Farnen described several amendments to the resolution. There being no objection, the amendments were incorporated into the resolution.

Upon a motion made by Mr. Ranelli, seconded by Mr. Olsen, the Board members voted in favor of adopting the following amended resolution regarding the Bridgeport Fuel Cell project (Mr. Choi was not present for the vote).

WHEREAS, Bridgeport Fuel Cell Park, LLC ("BFCP"), a limited liability company wholly-owned by Fuel Cell Energy, Inc. ("FCE") has a long history with CEFIA and its predecessor, the Connecticut Clean Energy Fund ("CCF"); and

WHEREAS, in early 2008, the CCEF released a Request for Proposals in the third round of solicitations for renewable energy projects to participate in statutorily mandated Project 150, an initiative aimed at increasing clean energy supply in Connecticut by at least 150MW of installed capacity, and the program is designed to encourage financing of renewable energy projects through the stability of long-term energy purchase agreements for grid-tied projects; and

WHEREAS, BFCP submitted the Bridgeport Fuel Cell Park proposal in response, to develop in the City of Bridgeport, a 15MW fuel cell project; and after a thorough review, was ultimately selected and ranked by CCEF as the number one project out of the nine projects submitted in the third round; and

WHEREAS, CCEF, by Board resolution dated October 27, 2008, approved grant funding for the BFCP project in the amount of \$1,550,000 subject to conditions set forth in the Project 150 Program; and

WHEREAS, CEFIA has maintained its commitment to Project 150 and to the success of the BFCP project and to this end budgeted in Fiscal Year 2013 for additional financial support to the BFCP project up to \$5,000,000 in loan financing.

NOW, therefore be it:

RESOLVED, that the Board of Directors hereby approves the Bridgeport Fuel Cell Project as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Bridgeport Fuel Cell Project; and

RESOLVED, that the Board of Directors authorizes the CEFIA staff to execute definitive grant **and loan** documentation based **substantially on** (1) the term sheet set forth in the Project Qualification Memo submitted by the CEFIA staff to the Board of Directors and dated November 30, 2012, and (2) the previously approved CCEF Board of Directors' resolution for financial support in the form of a \$1,550,000 grant; and

RESOLVED, that the Board of Directors authorizes the CEFIA staff to execute definitive loan documentation based on the terms sheet presented during the meeting of the Board of Directors on November 30, 2012 for financial support in an amount not to exceed \$5,800,000 in loan financing; and

RESOLVED, that the Board of Directors' approval of the \$5,800,000 in loan financing is conditioned upon (1) the completion of CEFIA staff's due diligence review, including CEFIA's review and reasonable satisfaction with all project documentation that CEFIA is not a party to, (2) reasonable assurances within thirty days of this resolution that the private investor has no likely opportunity to exit the deal, and (3) a final review and approval of the project documentation with the Chair or Vice Chair of the Board; 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 these Resolutions; and

RESOLVED, that the Board of Directors' action is consistent with CEFIA's purposes as codified in Section 16-245n(d)(1) of the Connecticut General Statutes, its board approved Resolution and Purposes and CEFIA's Comprehensive Plan.

6. **Budget and Operations Committee ("Budget Committee") Financial Statement Updates and Recommendations for Approval—Position Descriptions and Additional Budget for Move and Lease at 845 Brook Street:**

Mr. Dykes explained that with the new direction for CEFIA away from government-funded programs to deploying private capital, the organization structure has been divided into four different sectors—1) Residential, 2) Commercial and Industrial, 3) Institutional, and 4) Grid and Infrastructure. Staff recommends the approval of the job descriptions for the following director-level positions 1) Director of Residential Programs, 2) Director of Institutional Programs, and 3) Director of Statutory and Infrastructure Programs. Mr. Dykes noted that the Director of Renewable Energy Deployment position currently encumbered by Dale Hedman would be reclassified to the Director of Statutory and Infrastructure Programs and that Mr. Hedman would transition into the new position. A nation-wide search will be carried out for the other two director positions. Mr. Dykes noted that funding for these positions were included in the fiscal year 2013 budget, and the positions are part of the 29 FTEs that were approved.

Upon a motion made by Ms. Glover, seconded by Mr. Olsen, the Board members voted in favor of adopting the following resolution approving the job descriptions for the Director of Residential Programs, Director of Institutional Programs, and Director of Statutory and infrastructure Programs (Mr. Choi was not present for the vote).

RESOLVED, that the Board of Directors of the Clean Energy Finance and Investment Authority ("CEFIA"), as required by the Operating Procedures of CEFIA, approves the new director-level position descriptions for the Director of Residential Programs, Director of Institutional Programs, and Director of Statutory and infrastructure Programs.

Mr. Dykes explained that with the merger of CI and CDA, CI has been looking at ways to merge the staff together. However, the space at 865 Brook Street is too small for all staff. Mr. Dykes stated that with some of CEFIA's staff moving to Stamford, CEFIA will

need less office space and has entered into negotiations for less space at 845 Brook Street. Mr. Dykes reviewed the proposed terms of the lease and costs to build out the new space. He noted that CI has agreed to pay \$100,000 of the \$260,000 cost to build out the space at 845 Brook Street. Mr. Dykes explained that approval is being sought from the Board to approve the expenses and amend the Memorandum of Understanding with CI accordingly. It was noted that the proposal will ultimately save CEFIA about \$150,000 over the 8-year term of the lease. After a discussion about the arrangement with CI, the rent costs and the costs to move, staff and Ms. Smith indicated that this is a fair and equitable deal between both entities.

Upon a motion made by Ms. Glover, seconded by Ms. Dixon-Peay, the Board members voted in favor of adopting the following resolution approving an amendment to the Fiscal Year 2013 budget to cover expenses of moving to 845 Brook Street, Rocky Hill and amend the MOU with CI (Mr. Choi was not present for the vote):

WHEREAS, the current office space at 865 Brook Street shared between the Clean Energy Finance and Investment Authority (“CEFIA”) and Connecticut Innovations (“CI”) is not large enough to support the increased personnel from the recent CI and Connecticut Development Authority (“CDA”) merger; and

WHEREAS, CEFIA has an offer on adjacent office space at 845 Brook Street that will save money over the term of the lease but requires approximately \$260,000 for upfront construction, furniture and moving expenses (“Expenses”).

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors approves an amendment to the Fiscal Year 2013 budget of \$260,000 to cover the Expenses; and

RESOLVED, that the proper CEFIA officers are authorized and empowered to amend the Memorandum of Understanding with CI to reflect any necessary changes due to CEFIA moving to the 845 Brook Street location and the merger between CI and CDA.

7. Audit, Compliance and Governance Committee Updates:

Attorney Farnen provided a brief legislative update, noting that support will be sought to seek legislation to expand residential clean energy property tax exemption to include commercial and industrial clean energy projects administered or supported by the state.

Board members were encouraged to attend ethics training at 8:00 a.m. before the December Board meeting or online training.

8. Technology Innovation Committee Updates:

Mr. Garcia thanked Mr. Olsen for joining the Technology Innovation Committee.

9. Deployment Committee Updates:

It was noted that the Deployment Committee will be meeting this afternoon at CEFIA, and Board members were invited to attend.

10. Approval of CEFIA staff to draft and file public comments in support of the Comprehensive Energy Strategy with Review and Approval by the Chair of the Board of Directors:

Mr. Garcia mentioned that in October Governor Malloy released the Draft Comprehensive Energy Strategy for public comments. The public comment period ends December 14, and staff would like approval from the Board to submit public comments to DEEP that address specific areas involving CEFIA. Mr. Esty stated that he will not be reviewing or commenting on any of the comments provided by CEFIA.

Upon a motion made by Mr. Olsen, seconded by Ms. Glover, the Board members voted in favor of approving the following resolution authorizing the President to draft and submit public comments on the Draft Comprehensive Energy Strategy to DEEP (Mr. Choi was not present for the vote, and Mr. Esty was recused from the vote):

WHEREAS, Governor Malloy announced the release of the Draft Comprehensive Energy Strategy on October 5, 2012 for public comment; and

WHEREAS, the Draft Comprehensive Energy Strategy identifies the Clean Energy Finance and Investment Authority (“CEFIA”) to play a significant role in various aspects of the strategy, including leveraging private sector capital to create long-term, sustainable financing for energy efficiency and clean energy to support residential, commercial and industrial sector implementation of energy efficiency and clean energy measures; and

WHEREAS, CEFIA’s strategic plan and budget are consistent with the Draft Comprehensive Energy Strategy.

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 Department of Energy and Environmental Protection before the December 14, 2012 due date.

_____Mr. Ranelli asked the staff to comment on how financing programs can be developed to support products where the market has yet to develop solutions for the low income residents. The Board was encouraged to provide comments on the

Comprehensive Energy Strategy to Mr. Garcia as soon as possible, and staff was asked to provide the comments to the full Board before submission to DEEP.

11. Adjournment: Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adjourning the November 30, 2012 meeting at 11:05 a.m.

Respectfully submitted,

Catherine Smith, Chairperson