

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Minutes – Special Meeting
Friday, December 21, 2012

A special meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “CEFIA”)** was held on December 21, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. Call to Order: Catherine Smith, Chairperson of CEFIA, called the meeting to order at 9:00 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”) (by phone); Tom Flynn (by phone); Norma Glover; Reed Hundt (by phone); John Olsen; Matthew Ranelli; Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development (“DECD”), Sharon Dixon Peay (State Treasurer’s Office) (by phone); and Patricia Wrice (by phone).

Staff Attending: Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Alexandra Lieberman, Cheryl Samuels, Jessica Bailey, Shelly Mondo, and Kimberly Stevenson.

Others Attending: Eric Brown, CBIA; Henry Link, Enviro Energy; Elyse Pitts, Housing Development Fund (by phone); Sabrina Szeto, Housing Development Fund (by Phone); and Mike Trahan, Solar Connecticut.

2. Public Comments:

Sabrina Szeto reported on the efforts with the Housing Development Fund to coordinate stakeholder meetings to help move energy efficiency goals forward in the State. She summarized that the focus of the group was on: 1) program, 2) marketing and 3) finance. As a result of the meetings, a report with recommendations was issued. Ms. Szeto highlighted some of the key recommendations made in the report. Mr. Garcia acknowledged and thanked Ms. Szeto and Joan McCarty for coordinating the stakeholder meetings and open process for identifying best practices in advancing residential energy efficiency, especially as it applied to finance.

Mike Trahan from Solar Connecticut thanked CEFIA for putting together a successful Step 2 Solar Investment Program. He indicated that installers worked with CEFIA and proposed ideas for the next steps, and he encouraged the Board to be supportive. Mr. Trahan spoke about some of the efforts being done to help reduce the soft costs of solar installation, including permitting fees. He indicated that legislation will be introduced in this session to help reduce costs further. Mr. Trahan encouraged other agencies to work collaboratively and to be as aggressive as possible in helping lower costs.

3. Approval of Minutes of Meeting of November 30, 2012:

Ms. Smith asked the Board to consider the minutes from the November 30, 2012 meeting.

Upon a motion made by Ms. Glover, seconded by Mr. Olsen, the Board members voted in favor of adopting the minutes from the November 30, 2012 meeting as presented (Mr. Flynn abstained from the vote, and Ms. Wrice was not present for the vote).

4. Update from the President:

Mr. Garcia introduced Genevieve Sherman who was recently hired as Manager of C-PACE. Ms. Sherman brings with her specialized experience in energy finance and real estate, which will support the successful implementation of C-PACE.

Mr. Garcia provided highlights from the Megacommunities Report, noting that he chaired the Finance Committee between August through October which included 22 participants from 16 organizations. The megacommunities process focused on three key constituents—customers through a marketing committee, contractors through a program design committee and capital providers through a finance committee. The report provides recommendations based on “best practices,” including a focus on four of the “Top 5” ACEEE states and their residential energy efficiency financing programs. The report was provided to the Energy Efficiency Board (“EEB”) as part of its annual C&LM Plan and to DEEP as part of the Comprehensive Energy Strategy.

Mr. Garcia provided an update on the request from DEEP for CEFIA to help develop two pilot residential financing programs in accordance with Section 116 of Public Act 11-80. CEFIA will be working with credit unions, looking into on-bill financing options and considering the use of ARRA-SEP funds to support these programs. Mr. Garcia stated that CEFIA will be coordinating with the electric distribution companies and the EEB to incorporate appropriate incentives, prevent customer confusion and co-brand with EnergizeCT. Mr. Garcia noted that the EEB consultants provided a letter to CEFIA (which was provided to the Board as part of the materials), which focused on the need for the residential financing program to be simple and easy, affordable, economical and targeted.

Mr. Garcia explained the economics of financing options to enable fuel switching for Connecticut homeowners in accordance with the draft Comprehensive Energy Strategy (“CES”). One of the main objectives in the CES for programs is to provide immediate savings. Immediate savings will help customers apply for the financing program more quickly. Mr. Garcia mentioned that it is hopeful that the product will be rolled out in January or February 2013. Questions arose regarding the length of the loan, and staff was encouraged to minimize the length of the loan if possible. Mr. Esty noted the

importance of the program being as flexible as possible and not too restrictive. Staff was asked to show the different scenarios (e.g. if someone needs to extend the trunk lines versus not having to extend the trunk lines).

Chairperson Smith asked for a moment of silence at 9:30 a.m. for the victims of the Sandy Hook CT tragedy and invited the staffs of CI and CEFIA into the CI Board Room during this period.

Mr. Garcia mentioned that CEFIA provided comments on the CES and thanked the Board for their review and recommendations.

Mr. Garcia acknowledged and thanked Cheryl Samuels for putting meeting materials on the CEFIA Website in an effort to improve CEFIA's transparency. Beyond providing accessibility on the website to the Board agenda and meeting minutes, which were common practice of the Connecticut Clean Energy Fund ("CCEF"), the site now includes all materials provided to the Board for regular and special meetings.

Mr. Garcia provided an update on economic development efforts and noted that Solar City has expanded in Rocky Hill bringing in 60 jobs as a result of the Residential Solar Investment Program, and Fuel Cell Energy and Dominion Resources Inc. through the Bridgeport Fuel Cell Park are projected to bring in 160 jobs in manufacturing, construction, and servicing of the power plant.

5a. Residential Solar Investment Program:

Mr. Garcia spoke about the costs of solar PV deployment under the program run by the CCEF and CEFIA from 2004 through 2012. He noted that incentives from ratepayers have been significantly reduced from \$4.50 per watt in 2005 to approximately \$1.65 per watt today, which is a 60 percent reduction in ratepayer subsidy. Mr. Garcia mentioned that CEFIA works closely with installers in Connecticut and Solar Connecticut to develop and implement the Residential Solar Investment Program and to create a stable market that companies can continue to build upon. Mr. Hedman reviewed the performance of both the rebates and performance-based incentives ("PBI") under step 2. He mentioned that there have been two times as many rebates as PBI installations. The rebate and PBI installed costs are about the same, but the rebate projects are taking less incentive than PBI. Staff was asked to add the energy prices to the chart showing the step 2 performance.

Mr. Hedman reviewed the goals under step 3. He stated that CEFIA wants to maximize the amount of clean energy produced per dollar of ratepayer funds at risk and achieve a 3 to 1 leverage of non-ratepayer funds to ratepayer funds. Mr. Hedman mentioned that one of the key goals in step 3 is to shift from subsidy programs over time to low-cost and long-term financing and to incorporate cost effective energy efficiency measures into solar PV projects. Staff was congratulated for the innovative program that allows everyone to see the tradeoffs among the different tools.

Mr. Hedman explained the proposed structure for step 3 which includes rewarding the model that deploys residential rooftop solar PV the quickest, rewarding the model that deploys residential rooftop solar PV the cheapest, establishing a 30 percent incentive cap per project to protect ratepayer leverage, and adjusting the incentive levels. Mr. Hedman reviewed the proposed incentive levels for both rebate and PBI. In response to a question, Mr. Hedman indicated that there have been fewer installations on the PBI side, but CEFIA is trying to encourage PBI installations. He reiterated that rebate installations are cheaper than PBI. It was noted that the 30 percent incentive cap addresses the fact that as installation prices come down, the incentives will not be excessive. Staff indicated that Solarize Connecticut has had a profound impact on reducing PV installation costs, and CEFIA wants to expand the model and figure out how to apply this type of model to other technologies (i.e. energy efficiency). The Board discussed how CEFIA can be part of a solution if and when federal subsidies and tax credits for clean energy are eliminated or reduced. A suggestion was made to have towns that are already planning to install solar PV on town facilities use the planned KW from such projects as the basis for a Solarize program that residents could join. Mr. Hedman reviewed the proposed incentive changes for Step 3. It was noted that CEFIA staff will make a recommendation to the Deployment Committee on the Step 4 funding allocation and incentive level. Attorney Farnen described the proposed changes to the resolution, which now includes references to Solarize Connecticut and the incentives for solarize communities. There was consensus to add the word "intended" to the third "Resolved" clause in the resolution.

Upon a motion made by Ms. Glover, seconded by Mr. Olsen, the Board members voted in favor of adopting the following amended resolution regarding the Residential Solar Investment Program (Mr. Ranelli was not present for the vote):

WHEREAS, Section 106 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") requires the Clean Energy Finance and Investment Authority ("CEFIA") to design and implement a Residential Solar Photovoltaic ("PV") Investment Program ("Program Plan") that results in a minimum of thirty (30) megawatts of new residential PV installation in Connecticut before December 31, 2022; and

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared a Program Plan and a declining incentive block schedule ("Schedule") that offer direct financial incentives, in the form of performance-based incentives ("PBI") or expected performance-based buydowns ("Rebate"), for the purchase or lease of qualifying residential solar photovoltaic systems; and

WHEREAS, the performance of the Rebate model in Step 2 is faster in deploying rooftop solar PV and requires less ratepayer subsidies than the PBI model therefore maximizing the amount of clean energy deployed per dollar of ratepayer funds at risk; and

WHEREAS, the Deployment Committee has reviewed and directed CEFIA staff to bring a modified Step 3 of the Schedule to the Board of Directors (“Board”); and

WHEREAS, Solarize Connecticut is a pilot program designed to encourage the adoption of residential solar PV by lowering customer acquisition costs through a coordinated education, marketing and outreach effort, combined with a tiered pricing structure that provides increased savings to homeowners as more people in a selected municipality go solar (“Solarize Communities”).

NOW, therefore be it:

RESOLVED, that the Board of Directors approves the Schedule of Incentives for Step 3 outlined above to achieve 7.6 MW of solar PV deployment—3.8 MW of Rebates, 2.8 MW of PBI and 1.0 MW of additional capacity for the models to compete for incentives; and

RESOLVED, that the Board hereby directs staff that at the point where 1.8 MWs of committed capacity is reached during Step 3 of the Schedule, or earlier if staff deems it appropriate, for either the PBI or the Rebate models, CEFIA staff will make a recommendation to the Deployment Committee on the Step 4 funding allocation and incentive level; and

RESOLVED, that the Board hereby recommends that by (a) the point of the Step 3 incentive where 2.8 MW of committed capacity is reached for either the PBI or the Rebate models or (b) January 1, 2014 whichever comes first, the Board will approve a Step 4 incentive that is intended to deploy ten megawatts of installed capacity and inform residential solar installers to ensure the sustained and orderly deployment of the residential solar market in Connecticut; and

RESOLVED, that the Board hereby approves Step 3 incentives be maintained for Solarize Communities down selected for (1) Phase II of the Solarize Connecticut pilot program throughout the entirety of the Phase II campaign and (2) Phase III of the Solarize Connecticut pilot program throughout the entirety of the Phase III campaign if Step 3 incentives are in place at the beginning of Phase III.

RESOLVED, that this Board action is consistent with Section 106 of the Act.

5b. Repurposed ARRA-SEP Fund Update:

Mr. Hunter provided an update on the repurposed American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) funds. He explained that the funds were dedicated under a Memorandum of Understanding with DEEP for two programs—1) a Clean Energy Financial Innovation Program and 2) the Clean Energy Financing Program. Under the Clean Energy Financial Innovation Program, Mr. Hunter

mentioned that CEFIA received seven responses to a Request for Proposals issued and selected four to bring forth innovative financing programs. The Deployment Committee approved three applicants recommended by staff to proceed with programs. CEFIA will continue discussions with the fourth applicant about the development of its proposed program.

Mr. Hunter described the three programs approved by the Deployment Committee which includes: 1) The Cozy Loan Program, 2) the Smart-“E” Loan Program; and CEFIA’s Solar Loan Program. Ms. Lieberman discussed the details of the Cozy Loan Program that will be administered by the Housing Development Fund, Inc., a Community Development Financial Institution. Unsecured loans of up to \$50,000 per project will be provided to borrowers that occupy residential 1 to 4 unit households and earn up to 80 percent of the Area Median Income to finance comprehensive energy efficiency upgrades. Ms. Lieberman spoke about the history and qualifications of the HDF. She explained how HDF intends to attract capital providers to the program.

Elyse Pitts summarized the program and explained how the program will be marketing to existing borrowers. She discussed how HDF has helped approximately 1,500 clients to purchase homes. Ms. Pitts described the marketing efforts that will be undertaken by HDF. A suggestion was made to ask for assistance from CHFA as well, to which HDF replied that they have already met with CHFA and will involve them in the project.

Mr. Hunter described the Smart-“E” Loan Program, an equipment replacement, energy efficiency and renewable energy loan program financed with credit unions and community banks. He explained that CEFIA proposes to leverage about \$28,000,000 in private sector capital for investment into deep energy retrofits, renewable energy deployment and fuel and equipment conversions in single-family homes in accordance with the CES. CEFIA will create a loan loss reserve of \$2,500,000 to support local credit unions and community banks for projects undertaken by energy efficiency, renewable energy and other contractors, including Next Steps Living, Inc. Mr. Hunter described the qualifications and the proposed terms under the financing program.

Mr. Hunter discussed the Solar Loan Program that will be managed by Sungage. Under the program, loans would be provided to homeowners for the purchase (rather than lease) of solar PV systems. The program would target homeowners with FICO scores of 680 or above. CEFIA will provide \$300,000 in loan loss reserves from the repurposed ARRA-SEP funds and \$500,000 to \$2,200,000 in subordinated debt. The goal is to raise \$4,500,000 in private capital and finance approximately 240 residential solar PV systems. Mr. Hunter described the interest rate and spoke about the potential interest rate penalty.

Mr. Hunter provided an update on the CT Solar Lease 2 Program. He mentioned that the program is the successor to the original CT Solar Lease Program developed by CCEF in 2008. Under the original program, 855 solar PV systems were leased to Connecticut residents. Mr. Hunter stated that the CT Solar Lease 2 Program will be a \$60,000,000 fund with up to \$50,000,000 of private capital. The new program is expected to offer both a level payment lease and an escalating lease with a lower starting price point. The program will reach homeowners with FICO scores as low as 640. Mr. Hunter mentioned that solar hot water systems would be eligible under the program, and 20 percent of the fund would be available to non-residential end-users. He indicated that a number of in-state financial institutions are interested in participating in the capital raise.

The Board asked staff to include information about all of these programs on the CEFIA Website.

c. Commercial and Industrial Property Assessed Clean Energy Update:

Ms. Bailey reported on Commercial and Industrial Property Assessed Clean Energy (“C-PACE”), a financing structure that enables commercial, industrial and multifamily property owners to access financing for qualified energy upgrades and repay through a benefit assessment on their property tax. She provided an update on CEFIA’s efforts to design and administer the program and attract private capital for the program. Ms. Bailey indicated that CEFIA is in the process of getting municipalities on board. Seven municipalities have signed agreements and approximately twelve are going through the process. Ms. Bailey stated that Buonicore Partners, with Celtic Energy and SRS, won

the competitive selection to serve as Program Administrators for the program. Ms. Bailey indicated that public launch of the program will happen in 2013, hopefully in partnership with the Governor. Efforts in early 2013 will focus on generating deal flow and marketing the program to key sectors. The Board suggested working with the chambers of commerce.

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

6. **Audit, Compliance and Governance Committee Updates and Recommendations for Approval:**

a. **Annual Report:**

Mr. Olsen reported that the Audit, Compliance and Governance Committee (“Audit Committee”) reviewed and recommends approval of the Annual Report for CEFIA. He noted that the Audit Committee asked staff to add information in the annual report about CEFIA’s efforts with respect to underserved communities and/or low-income households. Mr. Garcia confirmed that the information requested by the Audit Committee was incorporated in the Annual Report.

Upon a motion made by Mr. Olsen, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution regarding the 2012 Annual Report:

WHEREAS, pursuant to Public Act 11-80, “An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut’s Energy Future,” Section 99(f)(1), the Clean Energy Finance and Investment Authority (“CEFIA”) Board of Directors is required to issue an annual report; and

WHEREAS, pursuant to Section 5.3.1 of the CEFIA Bylaws, the Audit, Compliance & Governance (“ACG”) Committee has recommended to the Board of Directors approval of the Fiscal Year 2012 Annual Report.

NOW, therefore be it:

RESOLVED, that the CEIFA Board of Directors hereby approves the Fiscal Year 2012 Annual Report.

b. **Funding Requests under \$300,000:** Due to a lack of time, this item was deferred until the January 2013 Board meeting.

7. **Budget and Operations Committee Updates and Recommendations—Telecommuting Policy:**

This item was deferred until the January 2013 Board meeting.

8. Technology Innovations Committee Updates:

This item was deferred until the January 2013 Board meeting.

9. Update on the Bridgeport Fuel Cell Project:

Mr. Hunter stated that at the November 30, 2012 meeting, the Board approved a resolution regarding the Bridgeport Fuel Cell project based on certain conditions. He provided an update on the conditions and mentioned that staff has completed the due diligence review and reasonable satisfaction of project documentation that CEFIA is not party to between Fuel Cell Energy and Dominion. Staff has completed reasonable assurances that Dominion has no likely opportunity to exit the deal, and staff has completed final review and approval of the project documentation with the Chair or Vice Chair of the Board. Attorney Farnen explained that the restated resolution also clarifies the financing arrangements of the predevelopment loan.

Upon a motion made by Mr. Olsen, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following restated resolution regarding the Bridgeport Fuel Cell project:

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 (“CCEF”); 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, CCEF and a FCE subsidiary executed a predevelopment loan with loan principal in the amount of \$500,000 and outstanding interest in the approximate amount of \$380,000 (the “Predevelopment Loan”); 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 \$5,000,000 in new loan financing and the principal and outstanding interest of the Predevelopment Loan being incorporated into this new financing arrangement with the existing Predevelopment Loan being either cancelled by CEFIA or assumed by FCE; and

RESOLVED, that the Board of Directors' approval of the new 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.

10. Adjournment: Upon a motion made by Mr. Olsen, seconded by Ms. Glover, the Board members voted unanimously in favor of adjourning the December 21, 2012 meeting at 11:00 a.m.

Respectfully submitted,

Catherine Smith, Chairperson