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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

February 8, 2013

Dear Clean Energy Finance and Investment Authority Board of Directors:

The Board of Directors will have its second meeting for 2013 on Friday, February 15, 2013 from 9:00 to 11:00 a.m. at the offices of CEFIA at 865 Brook Street, Rocky Hill, CT 06067.

We have a long agenda for the meeting, which includes:

- **<u>Budget Reallocation Request and Discussion</u>** – recommendation from the Budget and Operations Committee to reallocate $19 million from CEFIA unrestricted cash balance to provide construction and term financing for C-PACE. Additional time to discuss other ideas and concepts from the staff and with the board for the utilization of unrestricted funds on hand.

- **<u>Settlement Request</u>** – a request by PPL to pay one hundred thousand dollars to CEFIA and to remove a DFC300 fuel cell and related equipment (the "Fuel Cell") from the Pepperidge Farm plant installed in 2003 in consideration for a mutual release from any future claims or obligations of the parties under the Assistance Agreement.

- **<u>Residential Clean Energy Financing Programs</u>** – we are excited to bring forth the CT Solar Lease 2.0. We have several recommendations for your consideration and approval to release this much anticipated financing product to the residential solar PV market. We are also requesting some additional support for the pending Smart-E Loan program we are looking to launch in March.

Given the snow storms we are experiencing today, several of the documents will be provided by the close of business on Monday, February 11th. Sorry for the inconvenience that this causes.

If you have any questions, comments or concerns, please feel free to contact me at any time.

We look forward to the meeting next week. Enjoy the weekend.

Sincerely,

Bryan Garcia
President and CEO

AGENDA

Board of Directors of the
Clean Energy Finance and Investment Authority
865 Brook Street, Rocky Hill, CT 06067

Friday, February 15, 2013
9:00-11:00 a.m. .

Staff Invited: Jessica Bailey, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, and Kim Stevenson

1. Call to order

2. Public Comments – 5 minutes

3. Approval of meeting minutes for January 18, 2013* – 5 minutes

4. Update from the President – 5 minutes

5. Budget and Operations Committee updates and recommendations for approval* – 45 minutes

   a. C-PACE budget reallocation
   b. Discussion on plans for investing uncommitted cash

6. Audit, Compliance and Governance Committee updates and recommendations for approval* – 10 minutes

   a. PPL fuel cell settlement

7. Deployment Committee updates and recommendations for approval* – 40 minutes

   a. Connecticut Solar Lease 2.0 Program
   b. Smart-E Loan Program

8. Adjourn

*Denotes item requiring Committee action
** Denotes item requiring Committee action and recommendation to the Board for approval

Join the meeting online at https://www4.gotomeeting.com/join/139002071

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Next Regular Meeting: Friday, March 15, 2013
Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

RESOLUTIONS

Board of Directors of the
Clean Energy Finance and Investment Authority
865 Brook Street, Rocky Hill, CT 06067

Friday, February 15, 2013
9:00-11:00 a.m. .

1. Call to order

2. Public Comments – 5 minutes

3. Approval of meeting minutes for January 18, 2013* – 5 minutes

Resolution #1

Motion to approve the minutes of the Board of Directors meeting for January 18, 2013 Regular Meeting. Second. Discussion. Vote.

4. Update from the President – 5 minutes

5. Budget and Operations Committee updates and recommendations for approval* – 45 minutes

   a. C-PACE budget reallocation*

Resolution #2

WHEREAS, Section 99 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"), CEFIA is directed to, amongst other things, to develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine;

WHEREAS, 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");

WHEREAS, CEFIA seeks to provide a $20,000,000 construction and term loan program in support of the C-PACE Program, to fund the construction of up to

$20,000,000 in C-PACE transactions in line with the State's Draft Comprehensive Energy Strategy and CEFIA's Strategic Plan;

WHEREAS, CEFIA Budget and Operations Committee recommended to the Board of Directors for approval a reallocation of $19,000,000 from the unrestricted cash account to the C-PACE loan line item for a total of $20,000,000 for a construction and term loan program.

NOW, therefore be it:

RESOLVED, that CEFIA's Board of Directors authorizes the establishment of a $20,000,000 construction and term loan program in support of the C-PACE Program, to fund the construction of up to $20,000,000 in C-PACE transactions;

RESOLVED, that the CEFIA Board of Directors hereby approves the reallocation of $19,000,000 from the unrestricted cash account to the C-PACE loan line item.

b. Discussion on plans for investing uncommitted cash

6. Audit, Compliance and Governance Committee updates and recommendations for approval* – 10 minutes

a. PPL fuel cell settlement

<u>Resolution #3</u>

WHEREAS, PPL Renewable Energy Services, Holdings, LLC (PPL) and the Clean Energy Finance and Investment Authority (CEFIA), as the successor agency to the Connecticut Clean Energy Fund, entered into a Fuel Cell Financial Assistance Agreement on February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the "Assistance Agreement"), whereby CEFIA agreed to provide financial assistance to PPL with respect to placement and operation of a DFC300 fuel cell and ancillary equipment (the "Fuel Cell") at the Pepperidge Farm plant in Bloomfield, Connecticut (the "Project");

WHEREAS, PPL and CEFIA mutually agree that the continued operation of the Equipment by PPL under the Assistance Agreement is not commercially viable or practical; and

WHEREAS, PPL and CEFIA intend to resolve and settle all obligations, disputes, demands and requests for relief and/or damages, claims and all other manners of action or causes of action, disputes and/or claims in law or equity which they may have or may ever have against the other concerning or related in any way to the Assistance Agreement, the Fuel Cell, and/or the Project.

NOW, therefore be it:

RESOLVED, that CEFIA's Board of Directors authorizes approval of the Settlement Agreement substantially in the form attached to the memorandum submitted to the Board of Directors dated February 8, 2013;

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 terms and conditions consistent with the Settlement Agreement attached to the memorandum submitted to the Board of Directors dated February 8, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

7. Deployment Committee updates and recommendations for approval* – 40 minutes

a. Connecticut Solar Lease 2.0 Program

Resolution #4

WHEREAS, Clean Energy Finance and Investment Authority (CEFIA)proposes to reintroduce its Solar Lease program which builds on the success of the first Solar Lease program and achieves the additional benefits of enabling Connecticut homeowners to work with qualified installers of their choice, ensuring that Connecticut's solar installer base remains robust, diverse and able to reach all Connecticut residents, permit homeowners to lease systems for a 20-year period (5 years longer than the first program and competitive with the major national installers), permit financing of solar hot water systems and make a portion (20%) of the fund proposed available to non-residential end-users;

WHEREAS, CEFIA's program partners are desirous of moving to the capital raise phase of the program, having achieved a capital structure and program design that CEFIA staff and CEFIA's advisors believe will be successful;

WHEREAS, CEFIA has entered into an Memorandum of Agreement (MOA) with the Department of Energy and Environmental Protection (DEEP) to repurpose American Recovery and Reinvestment Act State Energy Program (ARRA-SEP) funds for the undertaking of clean energy project of mutual interest;

WHEREAS, the project of mutual interest set forth in the MOA is to provide funding for credit enhancements (i.e., loan loss reserves, interest rate buy-downs, third party loan insurance) for financing programs administered by CEFIA. One of the programs supported by the ARRA-SEP funding is the CT Solar Lease II Program (the "Program");

NOW, therefore be it:

(1) **Resolved**, that the Board of Directors approve funding for the Program in the following amounts:

A. an amount not-to-exceed $3.5 million for a Lease/Loan Loss Reserve (LLR) through the use of repurposed ARRA-SEP program funds;
B. an amount not-to-exceed $7.2 million for sponsor equity to be invested into the special purpose vehicle to be established for the Program; and
C. an amount not-to-exceed $2.3 million for subordinated debt

(2) **Resolved**, that the Board of Directors authorizes CEFIA staff to work with the Reznick Group to manage a capital raise in an amount not to exceed $60 million in private (non-CEFIA provided) capital for the Program;

(3) **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 secure a non-binding agreement with senior lender(s), a tax equity investor and a loan servicer, subject to final approval by CEFIA's Board of Directors on such terms and conditions consistent with the presentation in Staff's Program Qualification Memo dated November 30, 2012 as updated by the Staff's memo to the Board of Directors dated February 11, 2013 concerning "Proposal to Complete Development of Solar Lease II, A Residential, Institutional & C&I Financing Program" 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

(4) **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 or instruments.

Resolution #5

WHEREAS, Pursuant to Public Act 11-80, CEFIA was established to (A) develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as CEFIA may determine;

WHEREAS, prior to this date, the Board of Directors or Committees of the Board of Directors have approved the development of several initiatives to support clean energy investment for the residential (single family homes and multi-family properties), MUSH (municipalities, universities, schools and hospitals) and commercial/industrial sectors;

WHEREAS, related to these efforts is the need to attract private capital for these initiatives and, in doing so, CEFIA must create financial structures that will offer a framework of credit and investment support so that assets of the financing projects can be secured for the benefit of private capital providers to ensure the greatest opportunity for repayment of a specific debt or for a return on investment;

WHEREAS, for the benefit of the private capital providers, these financial structures typically require the creation of special purpose vehicles or entities (so-called "SPVs"), which may be corporations, limited liability companies ("LLCs") or limited partnerships; and

WHEREAS, the Board of Directors (or committees of the Board of Directors) has directed staff to develop two key initiatives that will require the formation of a

"parent" or "holding company" SPV as the owner of three subsidiary SPVs, specifically, (1) CT Solar Lease II and (2) CEFIA's Solar Loan program

Now, therefore, be it hereby

RESOLVED, that the Board of Directors hereby authorizes staff to establish an SPV holding company as well as the programmatic SPVs thereunder, subject to documentation mutually agreeable to CEFIA and Connecticut Innovations, Inc. and review by CEFIA's accountants and CEFIA's outside counsel so as to enable CEFIA to complete the development of its financing programs as set forth under Public Act 11-80, in particular SPVs for the Solar Lease II program and the Solar Loan program.

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 establish an SPV holding company as well as the programmatic SPVs thereunder consistent with the memorandum submitted to the Board of Directors dated February 11, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

b. Smart-E Loan Program

Resolution #6

WHEREAS, Section 99 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"), CEFIA is directed to, amongst other things, to develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine;

WHEREAS, CEFIA seeks to establish a $500,000 working capital loan program in support of the Smart-E Loan Program, ultimately a state-wide program for homeowners to promote deep energy efficiency retrofits, renewable energy deployment, and fuel and equipment conversions in single-family homes across the state, in line with Public Act 11-80, the State's Draft Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that CEFIA's Board of Directors authorizes the establishment of a $500,000 working capital loan program for the benefit of contractors participating in the Smart-E loan program;

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 $500,000 working capital loan program with terms and conditions consistent with the memorandum submitted to the Board of Directors dated February 8, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

8. Adjourn

*Denotes item requiring Committee action
** Denotes item requiring Committee action and recommendation to the Board for approval

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Next Regular Meeting: Friday, March 15, 2013
Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Board of Directors
Draft Minutes – Special Meeting
Friday, January 18, 2013

A special meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the "CEFIA")** was held on January 18, 2013, 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 9:12 a.m. Board members participating: Sharon Dixon-Peary, State Treasurer's Office (by phone); Norma Glover (by phone); Reed Hundt (by phone); Matthew Ranelli (by phone); Catherine Smith, Chairperson of CEFIA and Commissioner of the Department of Economic and Community Development ("DECD"); and Patricia Wrice (by phone).

Members Absent: Mun Choi; Daniel Esty, Vice Chairperson of CEFIA and Commissioner of the Department of Energy and Environmental Protection ("DEEP"); Tom Flynn; and John Olsen.

Staff Attending: Mackey Dykes, George Bellas, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, Bert Hunter, Shelly Mondo, Cheryl Samuels, Kim Stevenson, and Bob Wall.

2. **Public Comments:**

There were no public comments.

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

3. **Budget and Operations Committee ("Budget Committee") Updates and Recommendations for Approval:**

Financial Reports:

Mr. Bellas reviewed the financial reports for the six months ended December 31, 2012. Referring to the Statement of Income, Mr. Bellas discussed the areas where there were variances. He noted that changes will be made to the assets in the Balance Sheet in the next several months as programs and activities increase. The Board asked staff to provide six-month, one-year and two-year projections or estimates relating to total cash and changes to the Balance Sheet. Questions arose as to whether CEFIA has a policy about investing its cash or cash equivalent reserves. In response to a question, it was noted that as programs ramp up, some of CEFIA's cash will convert to assets, loans and other financial instruments. Mr. Hunter explained more specifically the cash that will be needed for the various programs and projects in the next several months. He noted that it is anticipated that within the first two quarters of fiscal year 2014, there will be a significant increase in the utilization of cash on hand to fund programs. The Board expressed the importance of having an appropriate balance of reserves and cash for programs and expenditures. Staff was asked to develop a month-to-month plan and longer-term plan on projections and investments. Staff will report back within a week on cash flow projections/predictions. Staff was also asked to report at the next Board meeting on six-month and twelve-month predictions and how those predictions could impact CEFIA's Comprehensive Plan.

Telecommuting Policy:

Mr. Dykes explained the proposed changes to CEFIA's telecommuting policy. The changes will align CEFIA's Telecommuting Policy with CI's Telecommuting Policy and will allow management to have the flexibility and discretion to use telecommuting in a manner that best meets the business needs of CEFIA. Mr. Dykes noted that the Budget Committee reviewed the proposed changes and recommends approval by the Board.

Upon a motion made by Ms. Wrice, seconded by Ms. Smith, the Board voted unanimously in favor of adopting the following resolution regarding CEFIA's Telecommuting Policy:

RESOLVED, that the CEFIA Board of Directors hereby approves the proposed changes to the Telecommuting Policy as recommended by the CEFIA Budget and Operations Committee.

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4. Approval of Minutes of Meeting of December 21, 2012:

Ms. Smith asked the Board to consider the minutes from the December 21, 2012 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the minutes from the December 21, 2012 meeting as presented.

5. Audit, Compliance, and Governance Committee ("Audit Committee") Updates and Recommendations for Approval:

Attorney Farnen explained that Section 5.3.3. of CEFIA's Bylaws authorizes the CEFIA Deployment Committee to evaluate and approve programmatic funding between $300,000 and $2,500,000. However, the Bylaws are silent on requests for funding below $300,000. Attorney Farnen mentioned that the Connecticut Clean Energy Fund ("CCEF") passed a resolution empowering staff to approve funding requests below $300,000, and CEFIA staff recommendations a similar process wherein staff could approve funding requests below $300,000 pursuant to a formal approval process, consistent with the Comprehensive Plan, and within CEFIA's fiscal budget but no more than $500,000 from the date of the last Deployment Committee meeting. This request has been discussed by the Audit, Compliance and Governance Committee and the Deployment Committee. Mr. Garcia explained that having this approval will help staff to be more responsive and move some of the smaller projects quicker. In response to a question, staff explained some of the projects that would fit within the definition of a funding request for staff to consider including feasibility studies, Clean Energy Communities program, and other programs included in the Comprehensive Plan. It was noted that consultants for professional services is not covered under this approval as those expenditures are specifically governed by the Operating Procedures. After further discussion, there was consensus to add the word "program" before the words "funding requests" in the resolution.

Upon a motion made by Mr. Ranelli, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution, as amended, regarding staff approval for certain program funding requests:

WHEREAS, pursuant to Section 5.3.3 of the CEFIA Bylaws, the CEFIA Deployment Committee has been granted the authority to evaluate and approve funding between $300,000 and $2,500,000; and

WHEREAS, CEFIA staff requests that staff have the authority to evaluate and approve funding requests less than $300,000, which are consistent with the CEFIA Comprehensive Plan and approved within CEFIA's fiscal year budget; and

WHEREAS, the Audit, Compliance & Governance Committee recommends approval to the Board of Directors to authorize CEFIA staff to evaluate and approve funding requests less than $300,000, which are pursuant to an established formal approval process requiring the signature of a CEFIA officer, consistent with the CEFIA Comprehensive Plan, approved within CEFIA's fiscal budget and in an aggregate amount not to exceed $500,000 from the date of the last Deployment Committee meeting.

NOW, therefore be it:

RESOLVED, that the CEFIA Board of Directors hereby approves the authorization of CEFIA staff to evaluate and approve program funding requests less than $300,000 which are pursuant to an established formal approval process requiring the signature of a CEFIA officer, consistent with the CEFIA Comprehensive Plan, approved within CEFIA's fiscal budget and in an aggregate amount not to exceed $500,000 from the date of the last Deployment Committee meeting.

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6. <u>Technology Innovations Committee Updates</u>:

Ms. Stevenson provided an overview on the transition of the Technology Innovation Programs and Operational Demonstration ("Op Demo") projects. She mentioned that the transition of the Alpha Program pipeline has been completed, and CEFIA is in the process of transitioning the Op Demo Program and legacy investments. Ms. Stevenson discussed the Alpha Program pipeline and the status of each of the projects. She reviewed the Op Demo Request for Proposals ("RFP") process. Ms. Stevenson stated that approximately 36 serious inquiries from the last Op Demo Program solicitation resulted in 17 pre-qualification surveys, 8 full applications and 4 finalists. The two highest ranking projects were recommended to and approved for funding by the Technology Innovations Committee ("TIC") on January 8, 2013 and included: 1) New England Hydropower Company, LLC, to demonstrate the commercial viability of their small hydropower technology; and 2) RPM Sustainable Technologies, Inc., to demonstrate the commercial viability of their innovative processing equipment for biofuels production. Ms. Stevenson answered questions about renewable energy credits and CEFIA and DEEP's role in participating in the New England Hydropower Company. Staff was encouraged to involve as many supporters as possible with trying to streamline the hydro permitting process. In response to a question, Ms. Stevenson indicated that the loans under the Op Demo Program are non-recourse and repayable upon commercial success. Staff will continue to perform due diligence on the remaining two Op Demo project proposals. Ms. Stevenson reported on the status of the legacy investments funded by the former Connecticut Clean Energy Fund. She noted that the TIC discussed the value of the CEFIA Technology Innovation Programs and potential consequences for new technology development if the program is transitioned from CEFIA. Ms. Stevenson stated that staff was asked to report back to the TIC on the values and losses from transitioning the programs, any potential gaps as a result of the transition, and recommendations on how to avoid or manage the gaps and maintain the new technology innovation market. Recommendations will be developed in collaboration with Connecticut Innovations and provided to the TIC and CEFIA Board. A suggestion was made to consider taking advantage of the cleantech innovation HUB emerging at UCONN to help with mentoring and other resources that may be lost with the transition.

7. <u>Deployment Committee Updates</u>:

Mr. Garcia provided an update on the Solarize Connecticut campaign, developed to encourage and bring competitively priced solar PV systems to homeowners throughout the state based on a proven residential aggregation model designed to bring down costs. He mentioned that four towns were identified to pilot the program—Durham, Fairfield, Portland and Westport. The pilot has been completed, and Mr. Wall reviewed the results by town, noting the success in installed capacity as a result of Solarize Connecticut. Additionally, Mr. Wall mentioned that in all of the towns the prices dropped to tier 5 pricing as more solar PVs were installed. Mr. Garcia talked about the payback of the systems under the program based on different scenarios, noting that Solarize Connecticut reduces costs by approximately $7,700 per home on average or by $2,200,000 to the participating towns. Mr. Wall acknowledged and thanked Mr. Goldberg, Mr. Hedman, and Mr. Farnen for their assistance and support which helped to make the pilot program a success. Mr. Wall explained how Solarize Connecticut can continue to help reduce acquisition costs. He spoke about the expansion of the program to distressed municipalities such as Bridgeport and Windham. Mr. Wall talked about adding new financing options such as CEFIA's lease and loan products as components of Solarize Connecticut. He mentioned that staff is looking at trying to expand the Solarize model to support the ramp-up of other clean energy technologies. Staff was asked to report back on how the Solarize model can be utilized at a significantly faster pace to target a higher number of homes (e.g. 100,000 homes). It was noted that 30 megawatts is the minimum required by legislation. Issues such as the number of installers, the panels available and quality of work and the industry are issues that must be considered. The Board noted the importance of being able to identify quality issues and having an audit mechanism in place. This issue will be discussed in further detail at the next Deployment Committee meeting.

8. **Adjournment**: Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adjourning the January 18, 2013 meeting at 10:25 a.m.

Respectfully submitted,

____
Catherine Smith, Chairperson

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors

From: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO,
Jessica Bailey, Director Commercial and Industrial PACE

CC: Mackey Dykes, Chief of Staff, Brian Farnen, General Counsel

Date: February 8, 2013

Re: C-PACE Budget Reallocation to Establish $20 Million Construction and Term Loan Facility

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Background and C-PACE Program Update

Pursuant to Public Act 12-2, under which the legislature directed CEFIA to establish a commercial sustainable energy program for Connecticut, staff has been working to develop the C-PACE program. C-PACE for Connecticut was officially launched on January 24 after a few months of program development during which staff:

- Established Program Guidelines & Process
- Developed a Legal Agreement with the cities and towns that “opt in” to C-PACE
- Worked with upwards of three dozen cities and towns, 11 of which have already opted into C-PACE and more than 12 others that are in the process of joining
- Established excellent relationships with a number of commercial real estate owners, developers, and building managers to educate them about the benefits of C-PACE
- Established a process for qualifying Capital Providers – with 8 qualified so far, including Citibank, Wells Fargo, Peoples United Bank, Ameresco and Bostonia Partners
- Generated tremendous interest amongst building owners resulting in a pipeline of 53 transactions including $20 million of “highly feasible” transactions as follows:
    - $225k for a lighting update in Norwalk
    - $1.8M for a chiller and windows for a downtown office building in Bridgeport
    - $250k for HVAC and windows in Windham
    - $500k for an energy management system, lighting, building envelope in Simsbury
    - $6.8M for heating and cooling upgrades for a downtown Hartford office buiding
    - $1.92M for a diversified energy efficiency project in Putnam
    - $2.5M for a building envelope upgrade in Meriden
    - $450K for a solar PV system in Stratford
    - $120K for a solar PV system in Bridgeport
    - $400K for a solar PV system in Westport

- $210K for a boiler replacement in Bloomfield
- $4M for a Dept. of Social Services building in Bridgeport
- $350k for a Meriden Economic Development building automation, HVAC, chiller
- $300k for a Manchester school building automation, HVAC, chiller

C-PACE Program Financing Challenges

Notwithstanding significant progress and notable achievements – including "above plan" levels for cities and towns "opting-in" and a deep pipeline of transactions – challenges remain. While our qualified capital providers have demonstrated strong interest in the C-PACE program, the banks in the program are still "feeling their way" through this asset class, which is relatively new nationwide and is less than a year old in Connecticut. This means many financial institutions need to determine where C-PACE "fits" in their marketing, and – critically – their risk assessment process. Nonetheless, we are seeing signs of progress, including active work within these institutions to determine a process for handling C-PACE lender consent and potentially providing capital for C-PACE projects.

One issue in particular has emerged as a major barrier for the capital providers – funding during construction. Under the enabling statute, the benefit assessment/lien (which creates the security interest for the capital provider) is not placed onto the real property until <u>after</u> the clean energy improvement is complete. This means that any financing during construction is unsecured. While staff is currently working on an adjustment to the statute for presentation to the ACG Committee, DEEP and the Governor's office, the process will take at least a few months to work though. Even if successful, the legislative adjustment only resolves the security interest issue, but does not deal with the constraints that a number of capital providers have that prevent them from doing construction financing when such a transaction represents only a small fraction of the real property's value.

Staff Proposal to Resolve the Current Financing Issue

To deal with concerns expressed by capital providers regarding construction risk, CEFIA staff recently proposed to the Budget and Operations Committee a budget reallocation of $19 million, which, in addition to $1 million already budgeted for C-PACE loans, would enable CEFIA to fund the construction of up to $20 million in C-PACE transactions, sufficient to finance the highly feasible transactions noted above. Not only would the facility finance the construction of these initial C-PACE transactions, prime the pump of C-PACE projects and build momentum in the market, but it would also – for an interim period – potentially provide term financing for these projects until CEFIA manages to sell off all or most of its loan positions in the C-PACE transactions. Funds raised by CEFIA selling-down these C-PACE loans would revolve, becoming available for additional C-PACE transactions. Staff has already started sounding out banks about participating in this construction and term loan facility (with CEFIA taking a subordinated position) and the initial response is encouraging. For example, if CEFIA could partner 50/50 with a commercial bank, it would have $40 million available for transactions. The Budget and Operations Committee approved staff's request and is recommending the program to the Board of Directors for approval.

Budget Reallocation Request

Staff requests approval for the benefit of the C-PACE program:

1. A budget reallocation of $19 million, which, in addition to $1 million already budgeted for C-PACE loans, would enable CEFIA to fund the construction of up to $20 million in C-PACE transactions.
2. Authority to recommend for approval funds to (a) finance the construction of C-PACE projects and (b) provide term financing for C-PACE projects until CEFIA sells off all or most of its loan position in the C-PACE transactions.
3. As funds are raised by CEFIA selling-down C-PACE loans issued under this additional budget supplement, authority to lend the funds again, so that the budget funds would revolve, becoming available for additional C-PACE transactions.
4. Given the urgent need to finance a few initial transactions, staff seeks authority to issue loans pursuant to interim standards for borrower eligibility, terms and conditions of support, and other relevant criteria, standards and procedures set forth in Exhibit A.[1]

Strategic Plan

Is the program or project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

C-PACE is a statutorily mandated program and a key component of the CEFIA comprehensive plan and budget for FY 2013. This construction and term financing loan program supports that program and consequently is consistent with CEFIA's Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources "…for expenditures that promote investment in clean energy in accordance with [CEFIA's Comprehensive Plan]…."

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the program or project versus the dollars of ratepayer funds at risk?

The proposed program is in support of C-PACE. The metrics associated with the program were approved by the Board of Directors as part of the FY2013 budget process (attached to this memorandum).

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The loans to the building owners under the C-PACE program are expected to attract an interest rate of 1.75% over the Prime Rate, or 5% during construction and from 4% to 6% for term financing depending upon maturity. Ratepayer funds will be paid back either (a) through a take-

[1] Please note that these loans are still subject to the CEFIA By-Laws requiring Deployment Committee approval of loans in excess of three hundred thousand dollars and up to two million five hundred thousand dollars, and Board approval for loans which exceed two million five hundred thousand dollars.

out by a private capital provider at the end of construction (project completions) or (b) subsequently when the loan is sold down to a private capital provider or (c) through receipt of funds from C-PACE cities and towns collecting the C-PACE benefit assessments from the property owners.

Construction loans could be for a few or several months and term loans will be repaid over terms that could extend up to 20 years.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the program or project?

$20,000,000 on a revolving and term loan basis.

Risk

What is the maximum risk exposure of ratepayer funds for the program or project?

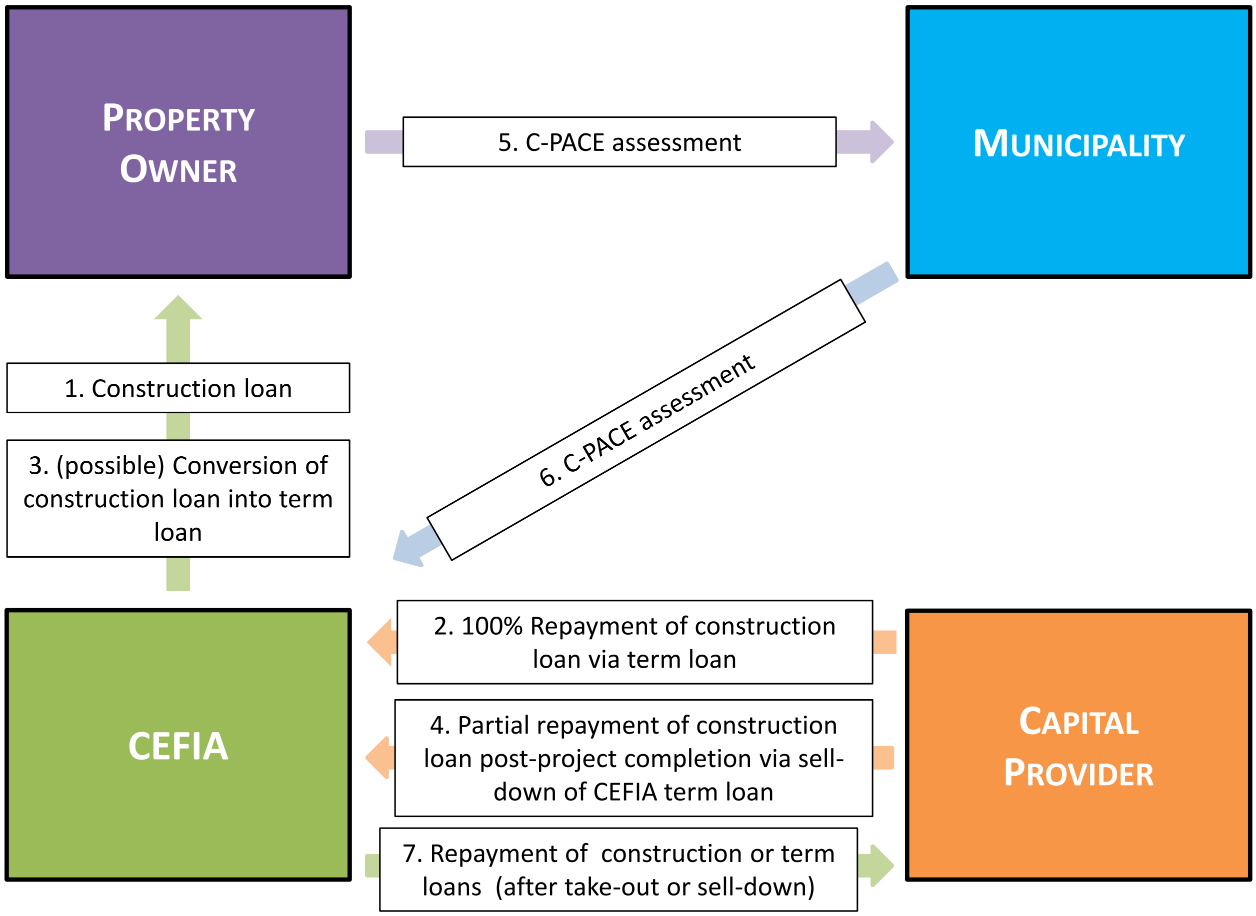
Potentially up to $20,000,000 of ratepayer funds are at risk for the program. Staff is in the process of determining “sub-limits” for individual loans, but no one borrower would be eligible for more than [$3,000,000] of advances.

Financial Statements

How is the program or project investment accounted for on the balance sheet and profit and loss statements?

As funds are advanced for loans, there would be a reduction in the CEFIA Cash and Cash Equivalents Account (Current Asset on the Balance Sheet) and a corresponding increase in “Promissory Notes – C-PACE Construction/Term Loan Program (Non-Current Asset on the Balance Sheet).

Capital Flow Diagram



Target Market

Who are the end-users of the program or project (i.e. rich, poor, middle class, etc.)?

The end-users of the program are commercial and industrial as well as multifamily housing property owners under the C-PACE program.

<u>RESOLUTION</u>

WHEREAS, Section 99 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”), CEFIA is directed to, amongst other things, to develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine;

WHEREAS, 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”);

WHEREAS, CEFIA seeks to provide a $20,000,000 construction and term loan program in support of the C-PACE Program, to fund the construction of up to $20,000,000 in C-PACE transactions in line with the State’s Draft Comprehensive Energy Strategy and CEFIA’s Strategic Plan;

WHEREAS, CEFIA Budget and Operations Committee recommended to the Board of Directors for approval a reallocation of $19,000,000 from the unrestricted cash account to the C-PACE loan line item for a total of $20,000,000 for a construction and term loan program.

NOW, therefore be it:

RESOLVED, that CEFIA’s Board of Directors authorizes the establishment of a $20,000,000 construction and term loan program in support of the C-PACE Program, to fund the construction of up to $20,000,000 in C-PACE transactions;

RESOLVED, that the CEFIA Board of Directors hereby approves the reallocation of $19,000,000 from the unrestricted cash account to the C-PACE loan line item.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO and Jessica Bailey, Director Commercial and Industrial PACE

EXHIBIT A

Clean Energy Finance and Investment Authority

Interim Standards for Borrower Eligibility, Terms and Conditions of Support

(C-PACE Transactions)

Given the urgent need to finance a few initial transactions, loans will be considered for approval pursuant to these interim standards for borrower eligibility, terms and conditions of support, and other relevant criteria, standards and procedures set forth herein. The credit standards define the criteria CEFIA will apply in evaluating creditworthiness of the primary source of repayment. C-PACE transactions are financings for energy efficiency and renewable energy projects for commercial, industrial and residential properties of five or more units. C-PACE transactions can be in the form of loans, guarantees, loan loss reserves or other forms of credit enhancement.

Part A of these standards lists the general criteria and credit standards for transactions involving borrowers or obligors which do not have market indications and include performance criteria, mostly financial ratios. The components of the performance criteria are defined in Part B. The standards, particularly the performance criteria, include a degree of flexibility. If mitigating credit factors exist, CEFIA will consider approval of a transaction that does not meet the standards. Such approval will be the exception, not the rule, and would require clear, documented and mitigating circumstances that demonstrate the borrower or obligor will be able to repay the obligations or will not be likely to perform in such a way as to require CEFIA to perform under its non-cash undertakings (i.e., such as guarantees or loan loss reserves).

For transactions involving borrowers or obligors that have market indications (i.e., required to submit reports such as 10K and 10Q to the Securities and Exchange Commission), due diligence shall include a review of these reports as well as the reports of any ratings agencies in respect of publicly held obligations, such as commercial paper, notes and bonds. In addition, the assessment shall include a review of performance criteria, mostly financial ratios.

Interim Standards for Borrower Eligibility, Terms and Conditions of Support

(C-PACE Transactions)

Part A

GENERAL & PERFORMANCE CRITERIA

Unless otherwise indicated, the standards apply to the primary source of repayment, which may be the borrower, or a corporate or financial institution guarantor. Notwithstanding the limitations on the scope of analysis for a particular type of risk, any material adverse credit information known to CEFIA at the time of the credit decision must be taken into account.

In order to be eligible for C-PACE financing, a property owner must meet the following requirements:

1. The property is located within the boundaries of a municipality that has adopted a resolution supporting the C-PACE.
2. The applicant is the legal owner of the property, and all the legal owners of such property agree to participate.
3. The property must be a non-residential property. Residential properties containing five dwelling units or more are eligible.
4. The property pays property tax. In some cases, building owners who do not pay property taxes may qualify.1
5. The property owner must provide evidence that the mortgage holder (or holders) on the property consents to the C-PACE assessment.
6. The property must be current on property tax and assessment payments.
7. The property owner must not have any involuntary liens, defaults, or judgments applicable to the subject property. A property owner may be able to participate if it can demonstrate an acceptable reason for the lien, default, or judgment and provide supporting documentation.
8. The project's Savings to Investment Ratio must be greater than one, meaning that projected annual savings exceed annual debt service by some amount.
9. The assessment for the project may not result in a total Loan to Value of greater than one.
10. The measures proposed in the project must be permanently affixed to the property (i.e. the property owner cannot take them in the event of a change of ownership). Examples of permanently affixed improvements include, but are not limited to upgraded insulation, energy efficient heating equipment, solar photovoltaic (PV) rooftop systems, fuel cells, and natural gas piping installed underneath the property owner's land.
11. No unresolved payment issues concerning debts to or guaranteed by CEFIA and property owner shall represent and warrant that there are no material unresolved payment issues concerning debts to or guaranteed by third parties. For the purpose of these standards, "material" means the greater of (a) 10% of the proposed C-PACE financing or (b) $50,000.
12. Credit report (if available) contains no material adverse information.

13. Creditor bank reference (if available) contains no material adverse information.
14. Most recent two years of financial statements (audited, if available) adequately disclose financial condition and were prepared according to generally accepted accounting principles in the United States (US GAAP) that afford a reasonable basis for reliance on the information provided.
15. Auditor's opinion (if available) is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
16. CEFIA exposure does not exceed (a) 25% of the value of the property, after giving consideration to the value increment that may be afforded by the enhancements to the property being financed and (b) when combined with other mortgage debt secured by the property that is the subject of the financing, 100% of the value of the property, after giving consideration to the value increment that may be afforded by the enhancements to the property being financed.
17. Performance Criteria are met, which include the following:
    a. Positive operating profit and net income in each of last 2 fiscal years.
    b. Positive cash from operations in each of last 2 fiscal years.
    c. EBITDA/debt service (including the proposed C-PACE assessment after considering savings that are expected to result from the financing) is at least 1.5 for last fiscal year.
    d. Current ratio of at least 1.00:1.25
    e. Total Liabilities / Tangible Net Worth does not exceed 2.00:1.00
    f. Interim statements disclose no material adverse change in financial condition.
18. The Property shall be described in sufficient detail:
    a. Location (address, city, etc.)
    b. Number of stories, square feet, size of parcel
    c. Type of use (i.e., office, retail, commercial, industrial, multifamily residential, etc.)
    d. Note any recent (last 5 years) significant capital improvements
    e. Note presence of any on-site property management, security, etc.
    f. Percentage leased
    g. Tenant roster, lease roll-off, assessment of rents compared with market for similarly situated properties in the vicinity
19. Identity of Borrower and corporate identity, when incorporated, etc.
20. Complete review of C-PACE project

CEFIA Action if Standards are not met

Consider approval without supplemental information

A property owner may be considered for approval without supplemental information if overall financial strengths adequately mitigate indicated weaknesses and/or uncertainties.

Consider approval with supplemental information

A property owner may be considered for approval on the condition of supplemental information if mitigating information regarding indicated risk(s) is readily available and will not materially expand the scope of analysis. For example, if company reported negative cash flow from operations in last fiscal year, but applicant can provide confirmable information on availability of adequate credit lines and company meets or exceeds all other standards, company will be considered for approval.

How Loans are Approved

The loan approval process consists of

1. A proposal from the Director of Commercial and Industrial PACE;
2. An underwriting and due diligence process performed by Finance and C&I-PACE
3. A recommendation by Finance
4. Approval by the CIO and the CEO

How Interest Rates are Set by CEFIA

- Interest rates will be established and reviewed periodically at the recommendation of the Chief Investment Officer (CIO). The CIO shall be responsible for submitting sufficient information in consideration of CEFIA's interest rates including but not limited to 1) private market lending rates, 2) Cost of funds, 3) Budgeted interest rate spread.

- The CEO and CIO shall establish interest rates and fees and report such rates to the Deployment Committee on a quarterly basis.

Proper Loan Records

Credit files shall be well organized, current and include the following information:

a) Correspondence with Borrower
b) Borrower organizational documents
c) Loan documents
d) Insurance documents
e) Disbursement records
f) Risk rating records
g) Borrower, guarantor and/or project financial information
h) Project pro formas
i) Project budgets
j) Loan application
k) Collateral information and other relevant documentation used in making the credit decision or reviewed prior to loan closing

Annually, 30-60 days prior to CEFIA's financial audit, the CIO shall conduct a review of the credit files to ensure completeness and will review risk ratings of the loan at that time.

Risk Rating

A risk rating system allows CEFIA to classify its loan portfolio by different levels of risk.

Risk is determined by criteria associated with the loan such as payment history, previous history of borrowing with CEFIA, LTV, cash flow and external factors among others.

Over time, CEFIA will link risk ratings to established Loan Loss Reserve amounts.

Until a more mature system of review is established, loans in portfolio will be categorized as follows:

Moderate Risk - Two or more of the following characteristics: (a) loan has sufficient collateral and cash flow and presents no new risks; (b) collateral, cash flow, and credit exceed requirements; (i.e., LTV <75%)

Average Risk – Collateral, cash flow and credit cover loan (i.e., 75%<LTV <90%)

Substantial Risk – Tight collateral coverage (i.e., LTV>90%) or cash flow of debt service is tight (<125%)

High Risk – Payments 30 days past due, weak financial condition, uncooperative borrowers, non-existent financial reports, external events with serious negative impacts, possible workout

Work-Out – Payments 60 days past due, value of collateral or guarantee is less than loan

Interim Standards for Borrower Eligibility, Terms and Conditions of Support

(C-PACE Transactions)

Part B

EXPLANATION OF TERMS IN PERFORMANCE CRITERIA

S**hareholders' Equity, Total Assets**, and **Net Income** are as reported in the financial statements.

Current Assets are liquid assets (i.e., cash + short-term marketable securities) and non-liquid assets that are classified on the balance sheet as current assets.

Current Liabilities are liabilities that are classified on the balance sheet as current liabilities, such as trade debts, accrued taxes, payroll, and other expenses and current maturities of long term debt.

Operating Profit and **Net Income** are as reported in the financial statements.

EBITDA (Earnings before interest, taxes, depreciation, and amortization) is as reported in the financial statements.

Debt Service is interest paid during the most recent fiscal year + current maturities of long-term debt.

Cash From Operations is as defined under U.S. GAAP.

Total Liabilities are as reported in the financial statements.

Tangible Net Worth is shareholders' equity (as reported) *less* intangible assets such as goodwill, patents, and licenses.

Clean Energy Finance and Investment Authority

Financial Analysis

Executive Summary

For the seven months ended January 31, 2013

Statement of Income and General Operations and Program Expenses

Revenues for the period totaled $19,208,000 compared to a budget of $19,267,800. Utility customer assessments totaled $16,644,000 and were $456,200 under budget. As of the date of the preparation of the financial statements, January's actual results had not been reported to CEFIA so the budgeted January amounts are reflected in the actuals (see page 7 for a detailed analysis). Storm Sandy had a negative impact on assessments collected, however this negative impact was offset by greater than anticipated RGGI auction results. RGGI auction proceeds from the September and December auctions totaled $1,331,600, and were $331,600 over the budgeted amount. Other income of $122,300 included $112,000 in penalty payments from energy resellers as a result of not having met their RPS requirements for 2009.

Expenses associated with the general operations of CEFIA totaled $1,603,100 as compared to a budget of $1,733,600 for the period. Generally expenses for operations were in line with budget. Year to date there are no significant variances between actuals and budget. Operating expenses by line item were within $5,000 of the budgeted amount or under budget.

Expenses associated with supporting CEFIA's programs totaled $4,643,400 as compared to a budget of $5,047,300. The favorable variance to budget can be found primarily within compensation and the associated benefits for CEFIA employees supporting these programs. The refinement of new CEFIA programs being developed resulted in positions being filled later than anticipated in the budget and vacancies that still exit for some programs . It is anticipated that these vacancies will be filled within the next two months as CEFIA's new financing programs are implemented.

Statement of Assets and CashFlows

Net assets as of January 31, 2013 were $88,542,800, an increase of $7,354,600 from June 30, 2012. Cash balances of $79,452,300 increased $6,238,800 since the beginning of the year. These cash balances are offset by $20,643,800 in program commitments as of January 31st (see page 6 for a detailed analysis of commitments by program) and restricted cash balances of $9,395,700 for Federal ARRA funded programs . Both pages 3 and page 4, Statements of Net Assets and Cash Flows,respectively, include current and projected balances through 6/30/2013.

Clean Energy Finance and Investment Authority

Financial Analysis

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For the seven months ended January 31, 2013

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1	Statement of Income and General Operations and Program Expenses
2	Statement of Revenues, Expenses and Changes in Net Assets
3	Statement of Net Assets (2 pages)
4	Statement of Cash Flows
5	Statement of Program Investments (2 pages)
6	Statement of Incentives, Grants and Rebates
7	Utility Customer Assessment Analysis

Clean Energy Finance and Investment Authority

Comparison of FY 2013 Budget to Actual

Statement of Income and General Operations and Program Expenses

For the seven months ended January 31, 2013

(000's)

	Actual FY2013 Gen. Ops	Actual FY2013 Programs	Actual FY2013 Total	Budget FY2013 Gen. Ops	Budget FY2013 Programs	Budget FY2013 Total	(Under) Over Budget	%
Income								
Utility customer assessments	$ 16,644.0	$ -	$ 16,644.0	$ 17,100.0	$ -	$ 17,100.0	$ (456.0)	(3%)
RGGI auction proceeds	$ 1,331.6	$ -	$ 1,331.6	$ 1,000.0	$ -	$ 1,000.0	$ 331.6	
Interest on bank deposits	$ 83.2	$ -	$ 83.2	$ 70.0	$ -	$ 70.0	$ 13.2	19%
Interest income-Solar Lease Notes,net of fees	$ 60.0	$ -	$ 60.0	$ 87.0	$ -	$ 87.0	$ (27.0)	(31%)
Grant income (LBE,N2N,Sunrise)	$ 966.8	$ -	$ 966.8	$ 966.8	$ -	$ 966.8	$ 0.0	0%
Other income	$ 122.3	$ -	$ 122.3	$ 44.0	$ -	$ 44.0	$ 78.3	178%
Total revenues:	$ 19,208.0	$ -	$ 19,208.0	$ 19,267.8	$ -	$ 19,267.8	$ (59.8)	(0%)
Expenses								
Compensation & Benefits:								
-Salaries & Wages-CEFIA employees	$ 628.7	$ 751.7	$ 1,380.4	$ 628.7	$ 1,004.8	$ 1,633.5	$ (253.1)	(15%)
-Salaries & Wages-CI shared services	$ 169.5	$ 1.7	$ 171.2	$ 208.5	$ 8.9	$ 217.4	$ (46.2)	(21%)
-Employee Benefits-CEFIA employees	$ 398.8	$ 506.8	$ 905.6	$ 389.8	$ 623.0	$ 1,012.8	$ (107.2)	(11%)
-Employee Benefits-CI shared services	$ 116.4	$ 1.0	$ 117.4	$ 129.3	$ 5.5	$ 134.8	$ (17.3)	(13%)
Consulting and professional fees								
- Legal	$ 6.5	$ 61.5	$ 68.0	$ 20.0	$ 61.5	$ 81.5	$ (13.5)	(17%)
- Consulting fees	$ 31.5	$ 245.5	$ 277.0	$ 50.0	$ 245.5	$ 295.5	$ (18.5)	(6%)
- Project inspection fees	$ -	$ 86.1	$ 86.1	$ -	$ 86.1	$ 86.1	$ 0.0	0%
Marketing/External relations	$ 72.4	$ 73.5	$ 145.9	$ 100.0	$ 73.5	$ 173.5	$ (27.6)	(16%)
EM&V	$ -	$ 19.7	$ 19.7	$ -	$ 19.7	$ 19.7	$ 0.0	
Rent and location related expenses								
-Rent/Utilities/Maintenance	$ 48.7	$ 59.0	$ 107.8	$ 53.4	$ 64.6	$ 118.0	$ (10.3)	(9%)
-Telephone/Communications	$ 10.8	$ 13.1	$ 24.0	$ 10.4	$ 12.6	$ 23.0	$ 1.0	4%
-Equipment & storage rentals	$ 1.6	$ 2.0	$ 3.6	$ 3.1	$ 3.7	$ 6.8	$ (3.2)	(47%)
-Depreciation FF&E	$ 16.0	$ 19.4	$ 35.5	$ 21.7	$ 26.3	$ 48.0	$ (12.5)	(26%)
Office, computer & other expenses								
-Office expense	$ 10.3	$ 12.5	$ 22.8	$ 12.7	$ 15.4	$ 28.1	$ (5.3)	(19%)
-Computer operations	$ 9.4	$ 11.4	$ 20.8	$ 13.1	$ 15.9	$ 29.0	$ (8.2)	(28%)
-Subscriptions	$ 5.0	$ -	$ 5.0	$ 10.0	$ -	$ 10.0	$ (5.1)	(51%)
-Training and education	$ 8.9	$ -	$ 8.9	$ 16.0	$ -	$ 16.0	$ (7.1)	(44%)
-Temporary employees	$ 20.3	$ 12.1	$ 32.4	$ 20.0	$ 12.1	$ 32.1	$ 0.3	1%
-Travel,meetings & related expenses	$ 34.9	$ 2.3	$ 37.3	$ 32.0	$ 2.3	$ 34.3	$ 3.0	9%
-Insurance	$ 13.2	$ 16.0	$ 29.2	$ 14.9	$ 18.1	$ 33.0	$ (3.8)	(11%)
Grant expenses(LBE/N2N/Sunrise)	$ -	$ 797.4	$ 797.4	$ -	$ 797.4	$ 797.4	$ 0.0	0%
Financial Incentives-Grants & Rebates	$ -	$ 1,950.5	$ 1,950.5	$ -	$ 1,950.5	$ 1,950.5	$ -	0%
Interest rate buydown-HDF/CHIF	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan loss -Grid Tied Loan Program	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan loss - Op Demo Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan loss - Alpha Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan Loss - GreenerU	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan Loss - WINN LISC	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan Loss -CPACE Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan Loss - Lease Programs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan Loss -Res. Solar Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision for Loan Loss - Res. EE Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Provision of Loan Loss - Clean Energy Bus Sol Loans	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
Total expenses:	$ 1,603.1	$ 4,643.4	$ 6,246.4	$ 1,733.6	$ 5,047.3	$ 6,780.9	$ (534.5)	(8%)
FY13 revenues over FY13 expenses:			$ 12,961.5			$ 12,486.9	$ 474.7	
Financial Incen.:Grants/Rebates Paid - FY12 Commitments:			$ (5,640.6)					
Revenues over expenses:			$ 7,320.9					

Clean Energy Finance and Investment Authority
Statement of Revenues, Expenses
and Changes In Net Assets
For the seven months ended January 31, 2013
(000's)

Total Net Assets	**6/30/2012**		$	81,188.2
FY 2013 expenses over income:				12,961.5
Utility customer assessments	16,644.0			
Interest income	143.2			
RGGI auction proceeds	1,331.6			
Grant income	966.8			
Other income	122.3			
		19,208.0		
Compensation	(2,574.6)			
Consulting and professional fees	(431.2)			
Marketing/External relations	(145.9)			
EM&V	(19.7)			
Rent and location related expenses	(170.8)			
Office, computer & other expenses	(156.4)			
		(3,498.6)		
Provision for Loan Loss - New Programs	-			
Interest Rate Buydowns - New Programs	-			
Residential Solar PV rebates	(1,839.7)			
Anaerobic Digestor Pilot	-			
CHP Pilot	-			
Condo Renewable Energy grants	-			
Maintained Programs	(86.8)			
		(1,926.5)		
NOTE: Subtotal, Recurring Programs		13,782.9		
Clean Energy Business Solutions	-			
Transition & Other	-			
Federal Grants	(821.4)			
Loan Loss Reserve - Grid Tied, Op Demo & Alpha Loans	-			
NOTE: Subtotal, Non-Recurring/Special Programs		(821.4)		
Expenditures grants and rebates approved prior to FY13			$	(5,640.0)
PROGRAM GOAL 1 PROJECT 150 & PRE DEVELOPMENT PROGRAM	$	(50.00)		
CI&I ON SITE GENERATION PROGRAM - Strategic Investments		-		
CI&I ON SITE GENERATION PROGRAM - COMM. SOLAR		(265.0)		
Residential Solar PV -Pre Sec 106, PA 11-80		(74.0)		
RESIDENTIAL SOLAR PV INVESTMENT PROGRAM (Section 106,PA 11-80)		(1,486.0)		
CI&I On Site Generation - Solar NFP/Govt		(661.0)		
CI&I On Site Generation -Fuel Cell		(2,141.0)		
GEO THERMAL,SOLAR THERMAL AND HOT WATER PROJECTS		(431.0)		
CI&I ON SITE GENERATION PROGRAM - FEASIBILITY STUDIES		(54.0)		
Operational Demonstration Program		(108.0)		
TECHNOLOGY AND DEVELOPMENT STUDIES		-		
Education & Outreach Programs		(349.0)		
Other		(21.0)		
Other (change in other balance sheet components)			$	33.1
Total Net Assets	**1/31/2013**		$	88,542.8

Clean Energy Finance and Investment Authority
Financial Analysis
For the seven months ended January 31, 2013
Statement of Net Assets
(000's)

	Actual 6/30/2012	YTD 1/31/2013	Projected 6/30/2013	Budgeted 6/30/2013
Assets				
Current assets				
Cash and cash equivalents (Unrestricted)	$ 64,672.9	$ 71,079.2	$ 42,142.5	$ 33,227.4
Utility receivables	$ 2,580.0	$ 2,820.7	$ 2,200.0	$ 2,200.0
Accounts receivable	$ 725.3	$ 49.7	$ 575.0	$ 750.0
Other current assets	$ 350.3	$ 81.2	$ 200.0	$ 250.0
Total current assets	$ 68,328.5	$ 74,030.9	$ 45,117.5	$ 36,427.4
Noncurrent assets				
Investments				
Promissory notes - solar lease program V1	$ 12,036.6	$ 11,706.0	$ 11,431.0	$ 11,366.4
Loan loss reserve - solar lease program V1	$ (300.9)	$ (300.9)	$ (285.8)	$ (267.4)
Promissory notes - solar lease program V2	$ -	$ -	$ 529.5	$ 529.5
Loan loss reserve - solar lease program V2	$ -	$ -	$ (24.1)	$ (24.1)
Promissory notes - solar loan program	$ -	$ -	$ 545.2	$ 545.2
Loan loss reserve - solar loan program	$ -	$ -	$ (27.5)	$ (27.5)
Promissory notes - WIN LISC program	$ -	$ -	$ 123.8	$ 123.8
Loan loss reserve - WIN LISC program	$ -	$ -	$ (12.5)	$ (12.5)
Promissory notes - GreenerU program	$ -	$ -	$ 450.0	$ 976.0
Loan loss reserve - GreenerU program	$ -	$ -	$ (45.0)	$ (100.0)
Promissory notes - EE Loan program	$ -	$ -	$ 230.3	$ 230.3
Loan loss reserve - EE loan program	$ -	$ -	$ (11.6)	$ (11.6)
Promissory notes - CPACE program	$ -	$ -	$ 5,000.0	$ 1,000.0
Loan loss reserve - CPACE program	$ -	$ -	$ (500.0)	$ (100.0)
Promissory notes - Alpha program	$ -	$ -	$ 300.0	$ 450.0
Loan loss reserve - Alpha program	$ -	$ -	$ (150.0)	$ (225.0)
Promissory notes - Grid tied program	$ -	$ -	$ 3,000.0	$ 8,000.0
Loan loss reserve - Grid tied program	$ -	$ -	$ (300.0)	$ (800.0)
Promissory notes - Op Demo program	$ -	$ -	$ 2,000.0	$ 2,000.0
Loan loss reserve - Op Demo program	$ -	$ -	$ (1,000.0)	$ (1,000.0)
Equity/Debt investments (pre FY13)	$ 2,155.5	$ 2,155.5	$ 2,155.5	$ 2,155.5
Investments-REC's	$ 1,324.6	$ 1,324.6	$ 1,450.0	$ 1,450.0
Capital assets	$ 91.3	$ 78.2	$ 150.0	$ 181.4
Furniture,Equipment & L/H Improvements				
Cash and cash equivalents (Restricted)	$ 8,540.6	$ 8,373.2	$ 9,395.7	$ 9,395.7
Total non current assets	$ 23,847.7	$ 23,336.6	$ 34,404.5	$ 35,835.7
Total assets	$ 92,176.2	$ 97,367.4	$ 79,522.0	$ 72,263.1

Clean Energy Finance and Investment Authority

Financial Analysis

For the seven months ended January 31, 2013

Statement of Net Assets

(000's)

	Actual 6/30/2012	YTD 1/31/2013	Projected 6/30/2013	Budgeted 6/30/2013
Liabilities and Net Assets				
Accounts,grants payable and accrued expenses	$ 2,624.9	$ 453.5	$ 2,500.0	$ 2,500.0
Deferred revenue-ARRA	$ 8,363.1	$ 8,363.1	$ 8,363.1	$ 8,113.7
Deferred revenue-PF	$ -	$ 8.0	$ -	$ -
Total libilities	$ 10,988.0	$ 8,824.6	$ 10,863.1	$ 10,613.7
Net Assets:				
Investment in capital assets	$ 91.3	$ 78.2	$ 150.0	$ 181.4
Restricted net assets	$ 8,540.7	$ 8,373.2	$ 9,395.7	$ 9,395.7
Unrestricted net assets	$ 72,556.2	$ 80,091.4	$ 59,113.2	$ 52,072.3
Total Net Assets	$ 81,188.2	$ 88,542.8	$ 68,658.9	$ 61,649.4
Total Liabilities and Net Assets	$ 92,176.2	$ 97,367.4	$ 79,522.0	$ 72,263.1

Clean Energy Finance and Investment Authority

Statement of Cash Flows

As of January 31, 2013

(000's)

	Actual as of 1/31/2013	(Projected) Remainder (2M) Q3	(Projected) (3M) Q4	(Projected) Fiscal Year 6/30/2013	(Budgeted) Fiscal Year 6/30/2013
Cash flows from operating activities					
CASH IN:					
Proceeds from utility customer assessments	16,404.2	4,200.0	6,900.0	$ 27,504.2	$ 28,000.0
Proceeds from RGGI auctions	2,056.9	-	500.0	$ 2,556.9	$ 2,000.0
Proceeds from grants	974.7	475.0	700.0	$ 2,149.7	$ 2,156.5
Proceeds from RECs/other income	148.4	12.0	12.0	$ 172.4	$ 125.0
Proceeds from Interest on deposits,investments, solar lease notes	153.1	45.0	65.0	$ 263.1	$ 270.0
CASH OUT:					
Expenditures General and Program Administration	(3,653.4)	(2,300.0)	(3,600.0)	$ (9,553.4)	$ (9,625.2)
Expenditures third party grants (LBE,N2N,Sunrise)	(835.4)	(350.0)	(521.6)	$ (1,707.0)	$ (1,707.0)
Expenditures grants and rebates approved prior to FY13	(5,640.6)	(4,000.0)	(6,459.4)	$ (16,100.0)	$ (17,912.1)
Expenditures grants and rebates -other programs	(3,752.6)	(3,350.0)	(5,000.0)	$ (12,102.6)	$ (15,151.5)
Clean Energy Business Solutions grants	-	-	(2,000.0)	$ (2,000.0)	$ (2,000.0)
Expenditures residential solar lease PV program- rebates	-	-	(732.4)	$ (732.4)	$ (2,197.1)
Expenditures residentail solar loan program-rebates	-	(66.2)	(189.0)	$ (255.2)	$ (932.4)
Expenditures-Credit Enhancement IRB	-	(50.0)	(200.0)	$ (250.0)	$ (250.0)
Net cash used by operating activities	$ 5,855.3	$ (5,384.2)	$ (10,525.4)	$ (10,054.3)	$ (17,223.8)
Cash flows from investing activities					
LOAN RECOVERY					
Return of principal on solar lease V1 promissory notes	383.5	110.0	165.0	$ 658.5	$ 670.0
Proceeds from residential solar loan program	-	-	4.7	$ 4.7	$ 5.5
Proceeds from WINN LISC program	-	-	1.2	$ 1.2	$ 1.2
Proceeds from GreenerU program	-	-	-	$ -	$ 24.0
Proceeds from EEloan program	-	-	2.3	$ 2.3	$ 2.3
	383.5	110.0	173.2	666.7	703.0
LOAN DISBURSEMENTS					
Residential solar lease PV program	-	-	(395.5)	$ (395.5)	$ (395.5)
Residential solar lease SHW program	-	-	(29.0)	$ (29.0)	$ (29.0)
Commercial solar lease (MUSH) program	-	-	(105.0)	$ (105.0)	$ (105.0)
Residential solar loan program	-	(30.9)	(519.7)	$ (550.6)	$ (550.6)
WINN LISC program	-	-	(125.0)	$ (125.0)	$ (125.0)
GreenerU program	-	-	(450.0)	$ (450.0)	$ (1,000.0)
EE loan program	-	-	(232.6)	$ (232.6)	$ (232.6)
CPACE program	-	(200.0)	(4,800.0)	$ (5,000.0)	$ (1,000.0)
Grid tied program	-	(2,250.0)	(750.0)	$ (3,000.0)	$ (8,000.0)
Op Demo program	-	(500.0)	(1,500.0)	$ (2,000.0)	$ (2,000.0)
Alpha program	-	-	(300.0)	$ (300.0)	$ (450.0)
	-	(2,980.9)	(9,206.8)	(12,187.7)	(13,887.7)
Net cash used by investing activities	$ 383.5	$ (2,870.9)	$ (9,033.6)	$ (11,521.0)	$ (13,184.7)
Cash flows from capital activities					
Purchase of furniture,equipment & software	-	(50.0)	(50.0)	$ (100.0)	$ (182.0)
Net cash used in operating,investing and capital activities	6,238.8	(8,305.1)	(19,609.0)	$ (21,675.3)	$ (30,590.5)
Cash and cash equiv., Beginning of Period	73,213.5	79,452.3	71,147.2	$ 73,213.5	$ 73,213.5
Cash and cash equiv., End of Period	$ 79,452.3	$ 71,147.2	$ 51,538.2	$ 51,538.2	$ 42,623.0

Clean Energy Finance and Investment Authority
Statement of Program Investments
As of January 31, 2013
(000's)

Loan/Investment Date	Loan No.	Issuer	Project	Board Approved Commitment	Investment/ Advances to date	Reserve	Current Valuation	Interest Rate	Termination/ Maturity Date	Notes
Alpha Program										
8/28/2012	13-50100-2	Anchor Science, LLC	Development of nanomaterial for thermal energy management in electronics.	$ 150	$ -	$ -	$ -	6% or Prime +1%	8/28/2022	Non Recourse Loan. Repayment based on commercial success of technology or liquidation event.. No repayment of loan is required if commercial success is not achieved after ten years from the execution date of the agreement. (5 yr amortization or lump sum payment)
8/9/2012	13-50100-1	Apollo Solar, Inc.	Development of solar smart grid inverter.	$ 150	$ -	$ -	$ -	6% or Prime +1%	8/9/2022	Non Recourse Loan. Repayment based on commercial success of technology or liquidation event.. No repayment of loan is required if commercial success is not achieved after ten years from the execution date of the agreement. (5 yr amortization or lump sum payment)
Energy Efficiency Financing										
9/13/2012	GU-001	Greener U/Campus Efficiency Now	Energy efficiency financing to Colleges and Universities in the CT Conference of Independent Colleges	$ 1,000	$ -	$ -	$ -	IRR of 7%	TBD Project by Project	College/University will enter into a service agreement with Campus Efficiency, LLC to provide energy efficiency improvements. CEFIA will assist the colleges/university with its financial obligation under the agreement. CEFIA wil earn an IRR of 7% on its advances.
Pre Development Program (1)										
4/13/2006	PD -001	Bridgeport Fuel Cell Park, LLC	Fairfield County Fuel Cell Park	$ 500	$ 499	$ (499)	$ -	8.75%	See Notes	LOC. Note matures upon the earlier of: closing of permenant financing,12 months after comercial operation of project,sale,acquisition or merger of interest. Terminates upon event of default.
4/30/2009	PD-002	Chestnut Hill BioEnergy CT, LLC	Biomass generation project, Waterbury,CT	$ 500	$ 237	$ (237)	$ -	4.25%	See Notes	LOC. Note matures upon the earlier of: closing of permenant financing,12 months after comercial operation of project,sale,acquisition or merger of interest. Terminates upon event of default.
02/19/09	PD-003	BNE Energy Inc.	Colebrook Wind - Phase 1	$ 120	$ 120	$ (120)	$ -	4.25%	See Notes	LOC. Note matures upon the earlier of: closing of permenant financing,12 months after comercial operation of project,sale,acquisition or merger of interest. Terminates upon event of default.
02/19/09	PD-004	BNE Energy Inc.	Prospect Wind - Phase 1	$ 102	$ 102	$ (102)	$ -	4.25%	See Notes	LOC. Note matures upon the earlier of: closing of permenant financing,12 months after comercial operation of project,sale,acquisition or merger of interest. Terminates upon event of default.
06/24/10	PD-005	BNE Energy Inc.	Colebrook Wind - Phase II	$ 380	$ 380	$ (380)	$ -	4.25%	See Notes	LOC. Note matures upon the earlier of: closing of permenant financing,12 months after comercial operation of project,sale,acquisition or merger of interest. Terminates upon event of default.
06/24/10	PD-006	BNE Energy Inc.	Colebrook Wind - Prospect II	$ 398	$ 398	$ (398)	$ -	4.25%	See Notes	LOC. Note matures upon the earlier of: closing of permenant financing,12 months after comercial operation of project,sale,acquisition or merger of interest. Terminates upon event of default.

Clean Energy Finance and Investment Authority
Statement of Program Investments
As of January 31, 2013
(000's)

Loan/Investment Date	Loan No.	Issuer	Project	Board Approved Commitment	Investment/ Advances to date	Reserve	Current Valuation	Interest Rate	Termination/ Maturity Date	Notes
Op Demo Program (1)										
8/8/2007	ODP-001	Mechatronic Energy Systems, LLC	Low Head Run-of the-River Hydro Turbine Technology Project, Mansfield,CT	$ 557	$ 501	$ (501)	$ -	TBD	8/7/2017	Non Recourse Loan. Repayment based on commercial success ($541,000/m) of technology. No repayment of loan is required if commercial success is not achieved after ten years from the execution date of the agreement. (10 yr amortization)
7/1/2009	ODP-002	Optiwind, Inc.	Compact Wind Accelerated Turbine, Torrington,CT	$ 750	$ 413	$ (412)	$ -	TBD	6/30/2019	Non Recourse Loan. Repayment based on commercial success ($2,000,000/m) of technology. No repayment of loan is required if commercial success is not achieved after ten years from the execution date of the agreement. (10 yr amortization)
4/5/2010	ODP-003	LiteTrough, LLC	Concentrated Solar Water Heater Technology,Milford,CT	$ 81	$ 31	$ (31)	$ -	4.25%	4/4/2020	Non Recourse Loan. Repayment based on commercial success ($500,000/m) of technology. No repayment of loan is required if commercial success is not achieved after ten years from the execution date of the agreement.(5 yr amortization)
6/28/2010	ODP-004	Avalence, LLC	High pressure multipurpose electrolyer technology, Hamden,CT	$ 500	$ 350	$ (350)	$ -	TBD	6/27/2020	Non Recourse Loan. Repayment based on commercial success ($1,000,000/m) of technology. If no commercial success company repays amount advanced. If commercial success company pays 2 times amount advanced or amortizes over 5 yr period at applicable interest rate.
TBD	ODP-005	New England Hydropower Co.,LLC	Demonstration of commercial viability of company's small hydropower technology.	$ 500	$ -	$ -	$ -	TBD	TBD	Project approved by CEFIA Technology Innovations Committee on January 8, 2013. Loan documents are being drafted.
TDB	ODP-006	RPM Sustainable Technologies, Inc.	Innovative processing equipment for biofuels production.	$ 500	$ -	$ -	$ -	TBD	TBD	Project approved by CEFIA Technology Innovations Committee on January 8, 2013. Loan documents are being drafted.
Other Investments										
		Company	**Security**							
3/27/2002		Acumentrics Corporation	Series B Preferred Stock		$ 4,000	$ (2,000)	$ 2,000			Fuel Cell Technology
6/30/2010		Optiwind Corporation	Series B Preferred Stock		$ 272	$ (204)	$ 68			Wind Turbine Technology
6/29/2011		Optiwind Corporation	Promissory Note		$ 350	$ (263)	$ 88			
					$ 7,654	$ (5,498)	$ 2,156			

(1) Due to the nature of the Pre Development and Op Demo Loans, the loans are currently fully reserved for.

Clean Energy Finance and Investment Authority
Statement of Incentives, Grants and Rebates
As of January 31, 2013
(000's)

Program	FY12 Programs: Commitments Outstanding 6/30/2012	Fundings YTD FY13	Withdrawn	Commitments Outstanding 12/31/2012
Project 150	$ 7,224	$ (50)	$ (5,674)	$ 1,500
Pre Development Loans	$ 263	$ -	$ (263)	$ -
Strategic Investments	$ 35	$ -	$ (35)	$ -
Commercial Solar (for profit)	$ 2,255	$ (265)	$ -	$ 1,990
Commercial Solar (not for profit/government)	$ 3,997	$ (661)	$ -	$ 3,337
Fuel Cell program	$ 5,870	$ (2,141)	$ -	$ 3,729
CI&I On Site Generation -Feasibility Studies	$ 211	$ (54)	$ (28)	$ 130
Residential Solar PV Program (pre Solar PV Investment Program)	$ 99	$ (74)	$ -	$ 25
Residential Solar PV Investment Program	$ 2,945	$ (1,486)	$ (252)	$ 1,207
Solar Thermal & Geothermal Programs	$ 1,132	$ (333)	$ (14)	$ 785
Solar Hot Water Programs	$ 2,253	$ (98)	$ -	$ 2,155
Operational Demonstration & Alpha Programs	$ 948	$ (108)	$ -	$ 839
Education & Outreach Programs	$ 747	$ (349)	$ -	$ 398
FY11-FY12 CP Goal 4: advocacy & public policy support	$ 102	$ (21)	$ -	$ 80
	$ 28,082	$ (5,640.6)	$ (6,265)	$ 16,176

Program	FY 13 Programs: FY13 Budget	FY13 Commitments	Fundings YTD FY13	Withdrawn	Commitments Outstanding 12/31/2012
Transition					
Education & Training Programs	$ 400.0	$ 395.0	$ (4.5)	$ -	$ 390.5
Maintain					
Clean Energy Communities	$ 650.0	$ 37.3	$ (37.3)	$ -	$ -
Community Innovation Grants	$ 200.0	$ -	$ -	$ -	$ -
Project Opportunities Fund	$ 500.0	$ -	$ -	$ -	$ -
Strategic Investment Fund	$ 100.0	$ -	$ -	$ -	$ -
Alpha Program	$ 100.0	$ 45.0	$ (45.0)	$ -	$ -
Statutory					
Residential Solar PV Investment Program	$ 9,333.0	$ 5,917.2	$ (1,839.7)	$ -	$ 4,077.4
Anaerobic Digestor Pilot	$ 2,000.0	$ -	$ -	$ -	$ -
CHP Pilot	$ 2,000.0	$ -	$ -	$ -	$ -
Condo Renewable Energy Grants	$ 50.0	$ -	$ -	$ -	$ -
Commercial & Industrial					
Clean Energy Business Solutions	$ 2,000.0	$ -	$ -	$ -	$ -
Federal Grants - InKind payments					
Sun Rise New England	$ 48.0	$ 24.0	$ (24.0)	$ -	$ -
	$ 17,381.0	$ 6,418.5	$ (1,950.5)	$ -	$ 4,467.9
			$ (7,591.1)		$ 20,643.8

Clean Energy Finance and Investment Authority
Financial Analysis
Utility Customer Assessment Analysis
For the seven months ended January 31, 2013
(000's)

	FY 13 Actual		FY13 Budget		(Under) Over FY 12	
July	$	2,709.4	$	2,700.0	$	9.4
August	$	2,815.0	$	2,825.0	$	(10.0)
September	$	2,457.0	$	2,500.0	$	(43.0)
October	$	1,994.0	$	2,200.0	$	(206.0)
November	$	2,028.4	$	2,100.0	$	(71.6)
December	$	2,240.2	$	2,375.0	$	(134.8)
January	$	2,400.0	$	2,400.0	$	- A
February	$	-	$	-	$	-
March	$	-	$	-	$	-
April	$	-	$	-	$	-
May	$	-	$	-	$	-
June	$	-	$	-	$	-
Total assessments:	$	16,644.0	$	17,100.0	$	(456.0)
						-2.7%

A. Data on actual activity had not been received from the utility companies as of te date this report was prepared. Current month actual results will be reflected in next month's financial report.

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors

From: Brian Farnen, General Counsel

CC: Bryan Garcia, President and CEO, Dale Hedman, Director of Statutory and Infrastructure Programs

Date: February 8, 2013

Re: Proposed Settlement Agreement between PPL Renewable Energy Services, Holdings, LLC and the Clean Energy Finance and Investment Authority

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Attorney Client Privilege

PPL Renewable Energy Services, Holdings, LLC ("PPL") has proposed a Settlement Agreement to the Clean Energy Finance and Investment Authority ("CEFIA") with respect to the Fuel Cell Financial Assistance Agreement dated February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the "Assistance Agreement"). PPL proposes to pay one hundred thousand dollars to CEFIA and to remove a DFC300 fuel cell and related equipment (the "Fuel Cell") from the Pepperidge Farm plant in Bloomfield, CT in consideration for a mutual release from any future claims or obligations of the parties under the Assistance Agreement.

CEFIA staff recommends approval of the attached **Settlement Agreement**.

Background

Connecticut Innovations, Inc. acting as administrator of the Connecticut Clean Energy Fund ("CCEF") executed an Assistance Agreement to provide financial assistance to PPL in the amount of one million dollars for the procurement, installation and operation of the Fuel Cell (the "Project") at the Pepperidge Farm plant in Bloomfield, CT. PPL also entered into a separate power purchase agreement with Pepperidge Farms to sell the electricity generated from the Fuel Cell at the Project site.

PPL is in default under the Assistance Agreement because it failed to operate the Fuel Cell for a period of at least ten (10) years from the final acceptance date pursuant to Section 9.04 of the Assistance Agreement (the "Operation Period").

PPL has not continually operated the Fuel Cell because this early stage field trial fuel cell unit needed to be restacked more often and at additional cost than was originally expected. At the time of entering the Assistance Agreement, PPL and CCEF both understood that the use of the fuel cells was a new technology that was in its early stages of being able to be used competitively as a commercial energy source. In that regard, the Assistance Agreement provided that "the primary benefit accruing to CCEF from this Agreement is the educational value of the Project." The U.S. Department of Energy provided further financial assistance for the Project where it acknowledged the funding was to "demonstrate" the fuel cell technology for a one year period.

Settlement Discussions

PPL officials met with CEFIA in 2012 requesting additional grant funds to either restack the Fuel Cell or to remove the Fuel Cell from the Pepperidge Farm Project site. After internal discussions, CEFIA refused PPL's request as we believed it was not the best use of ratepayer dollars and not consistent with CEFIA's new "Green Bank" mission. CEFIA staff asked PPL to work together with CEFIA to determine an amicable solution for CEFIA, PPL and Pepperidge Farms. In response to CEFIA's refusal to provide additional funding for the Project, PPL submitted a letter to CEFIA seeking to surrender the Fuel Cell to CEFIA pursuant to Section 10.02(c) of the Assistance Agreement. CEFIA rejected this request as CEFIA's right of return of the Fuel Cell is at CEFIA's sole discretion and option, the Fuel Cell was not in good working order and CEFIA had no use or potential plan for the Fuel Cell.

Settlement

In December 2012, CEFIA staff and PPL came to mutual understanding on a proposed Settlement Agreement that CEFIA would present to its Board of Directors for review and consideration. The Settlement Agreement requires PPL to pay CEFIA one hundred thousand dollars for ceasing operation of the Fuel Cell before the end of the Operation Period. PPL will also remove the Fuel Cell from the Project Site and dispose of the Fuel Cell at PPL's sole cost and expense on or before June 1, 2013. PPL and CEFIA will also provide each other with a mutual release from any future claims or obligations under the Assistance Agreement.

CEFIA also received assurances from PPL's outside legal counsel that (1) PPL will not be enriched by terminating this deal prematurely, (2) Fuel Cell Energy, Inc., the manufacturer of the Fuel Cell, will not be providing any funds back to PPL, and (3) the termination of the power purchase agreement between PPL and Pepperidge Farms is conditioned upon a resolution of the issues between PPL and CEFIA.

Based on all of the above, CEFIA staff recommends approval of the attached Settlement Agreement.

RESOLUTION

WHEREAS, PPL Renewable Energy Services, Holdings, LLC (PPL) and the Clean Energy Finance and Investment Authority (CEFIA) , as the successor agency to the Connecticut Clean Energy Fund, entered into a Fuel Cell Financial Assistance Agreement on February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the “Assistance Agreement”), whereby CEFIA agreed to provide financial assistance to PPL with respect to placement and operation of a DFC300 fuel cell and ancillary equipment (the “Fuel Cell”) at the Pepperidge Farm plant in Bloomfield, Connecticut (the “Project”);

WHEREAS, PPL and CEFIA mutually agree that the continued operation of the Equipment by PPL under the Assistance Agreement is not commercially viable or practical; and

WHEREAS, PPL and CEFIA intend to resolve and settle all obligations, disputes, demands and requests for relief and/or damages, claims and all other manners of action or causes of action, disputes and/or claims in law or equity which they may have or may ever have against the other concerning or related in any way to the Assistance Agreement, the Fuel Cell, and/or the Project.

NOW, therefore be it:

RESOLVED, that CEFIA’s Board of Directors authorizes approval of the Settlement Agreement substantially in the form attached to the memorandum submitted to the Board of Directors dated February 8, 2013;

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 terms and conditions consistent with the Settlement Agreement attached to the memorandum submitted to the Board of Directors dated February 8, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

<u>SETTLEMENT AGREEMENT</u>

This Settlement Agreement is entered into on February __, 2013 by and between PPL Energy Services Holdings, LLC ("PPL"), and the Clean Energy Finance and Investment Authority, as the successor agency to the Connecticut Clean Energy Fund ("CCEF"). PPL and CEFIA are individually referred to as a "Party" and collectively referred to as the "Parties".

WITNESSETH:

WHEREAS, PPL and CEFIA entered into a Fuel Cell Financial Assistance Agreement on February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the "Assistance Agreement"), which is incorporated herein by reference, whereby CEFIA agreed to provide financial assistance to PPL with respect to placement and operation of a DFC300 fuel cell and ancillary equipment (the "Equipment") at the Pepperidge Farm plant in Bloomfield, Connecticut (the "Project").

WHEREAS, the Parties mutually agree that the continued operation of the Equipment by PPL under the Assistance Agreement is not commercially viable or reasonable.

WHEREAS, the Parties desire to resolve and settle all obligations, disputes, demands and requests for relief and/or damages, claims and all other manners of action or causes of action, disputes and/or claims in law or equity which they may have or may ever have against the other concerning or related in any way to the Assistance Agreement, the Equipment, and/or the Project.

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. <u>Operations/Equipment</u>. CEFIA agrees that PPL shall terminate the operation of the Equipment at the Project. PPL will remove the Equipment from the Project site and dispose of the Equipment at PPL's sole cost and expense on or before June 1, 2013.

2. <u>Payment</u>. PPL will pay the sum of One Hundred Thousand Dollars ($100,000.00) to CEFIA within 30 days of the full execution of this agreement.

3. <u>Termination of Agreement</u>. The Assistance Agreement will terminate upon the execution of this Settlement Agreement, and the Parties ongoing obligations to each other shall be limited to the provisions of this Settlement Agreement.

4. **<u>Mutual Releases</u>.** Except as otherwise provided herein and to enforce the terms of this Settlement Agreement, each Party, on behalf of itself and each of its respective past and present divisions, subsidiaries, affiliates, parents, predecessors, successors, assigns, officers, directors, employees, attorneys, contractors, subcontractors, agents, and representatives, hereby generally releases, discharges and acquits each other Party, and its respective past and present divisions, subsidiaries, affiliates, parents, predecessors, successors, assigns, officers, directors, employees, attorneys, contractors, subcontractors, agents, and representatives (each of the foregoing, a "<u>Released Party</u>"), from all manners of action, causes of action, judgments, executions, debts, demands, rights, damages, costs, expenses, and claims of every kind, nature, and character whatsoever, whether in law or in equity, whether based on contract (including, without limitation, quasi-contract or estoppel), statute, regulation, tort (including, without limitation, intentional torts, fraud, misrepresentation, defamation, breaches of alleged fiduciary duty, recklessness, gross negligence, or negligence) or otherwise, accrued or unaccrued, known or unknown, matured,

unmatured, liquidated or unliquidated, certain or contingent, that such releasing Party ever had or claimed to have, or now has or claims to have presently or at any future date.

5. No Admission. Nothing contained in this Settlement Agreement is or shall be construed as an admission by the parties as to the merit of any claim one has or may have against the other.

6. Choice of Law. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, notwithstanding conflict of laws.

7. Construction. This Settlement Agreement shall be construed according to its plain language and not strictly for or against any Party hereto. The captions herein are inserted for convenience, do not constitute a part of this agreement, and shall not be admissible for the purpose of proving the intent of the Parties.

8. Severability. If any provision contained herein shall be held to be unenforceable, such holding shall not affect the validity or enforceability of the other provisions.

9. Entire Agreement. This Settlement Agreement contains and constitutes the entire understanding and agreement between the Parties hereto respective of the subject matter hereof and supersedes and cancels all previous negotiations, agreements, commitments, and writings in connection herewith. The Parties hereto expressly acknowledge that in entering this agreement, they have had the opportunity to consult with counsel of their choice, that they have not relied upon any representation made by or on behalf of the other party, and that any such representations are not enforceable except to the extent set forth herein.

10. Confidentiality. Neither Party shall disclose the terms hereof to any third party absent the express written permission of the other Party except where (a) necessary to comply with any applicable law, order, regulation or exchange rule; provided, however, that each Party shall notify the other Party promptly upon receipt of any request to it in any proceeding that could result in an order requiring such disclosure and the Party subject to such request shall use reasonable efforts to prevent or limit the disclosure; or (b) necessary to effectuate removal and disposal of the Equipment. The Parties shall be entitled to seek all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation; provided, however, that all monetary damages shall be limited to actual direct damages.

11. Third Parties. Nothing herein shall be construed as conferring a benefit upon any other party or entity.

12. Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement as of the execution date stated above.

Clean Energy Finance and Investment Authority	**PPL Energy Services Holdings, LLC**
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors

From: Brian Farnen, General Counsel

CC: Bryan Garcia, President and CEO, Dale Hedman, Director of Statutory and Infrastructure Programs

Date: February 8, 2013

Re: Proposed Settlement Agreement between PPL Renewable Energy Services, Holdings, LLC and the Clean Energy Finance and Investment Authority

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Attorney Client Privilege

PPL Renewable Energy Services, Holdings, LLC ("PPL") has proposed a Settlement Agreement to the Clean Energy Finance and Investment Authority ("CEFIA") with respect to the Fuel Cell Financial Assistance Agreement dated February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the "Assistance Agreement"). PPL proposes to pay one hundred thousand dollars to CEFIA and to remove a DFC300 fuel cell and related equipment (the "Fuel Cell") from the Pepperidge Farm plant in Bloomfield, CT in consideration for a mutual release from any future claims or obligations of the parties under the Assistance Agreement.

CEFIA staff recommends approval of the attached **Settlement Agreement**.

Background

Connecticut Innovations, Inc. acting as administrator of the Connecticut Clean Energy Fund ("CCEF") executed an Assistance Agreement to provide financial assistance to PPL in the amount of one million dollars for the procurement, installation and operation of the Fuel Cell (the "Project") at the Pepperidge Farm plant in Bloomfield, CT. PPL also entered into a separate power purchase agreement with Pepperidge Farms to sell the electricity generated from the Fuel Cell at the Project site.

PPL is in default under the Assistance Agreement because it failed to operate the Fuel Cell for a period of at least ten (10) years from the final acceptance date pursuant to Section 9.04 of the Assistance Agreement (the "Operation Period").

PPL has not continually operated the Fuel Cell because this early stage field trial fuel cell unit needed to be restacked more often and at additional cost than was originally expected. At the time of entering the Assistance Agreement, PPL and CCEF both understood that the use of the fuel cells was a new technology that was in its early stages of being able to be used competitively as a commercial energy source. In that regard, the Assistance Agreement provided that "the primary benefit accruing to CCEF from this Agreement is the educational value of the Project." The U.S. Department of Energy provided further financial assistance for the Project where it acknowledged the funding was to "demonstrate" the fuel cell technology for a one year period.

Settlement Discussions

PPL officials met with CEFIA in 2012 requesting additional grant funds to either restack the Fuel Cell or to remove the Fuel Cell from the Pepperidge Farm Project site. After internal discussions, CEFIA refused PPL's request as we believed it was not the best use of ratepayer dollars and not consistent with CEFIA's new "Green Bank" mission. CEFIA staff asked PPL to work together with CEFIA to determine an amicable solution for CEFIA, PPL and Pepperidge Farms. In response to CEFIA's refusal to provide additional funding for the Project, PPL submitted a letter to CEFIA seeking to surrender the Fuel Cell to CEFIA pursuant to Section 10.02(c) of the Assistance Agreement. CEFIA rejected this request as CEFIA's right of return of the Fuel Cell is at CEFIA's sole discretion and option, the Fuel Cell was not in good working order and CEFIA had no use or potential plan for the Fuel Cell.

Settlement

In December 2012, CEFIA staff and PPL came to mutual understanding on a proposed Settlement Agreement that CEFIA would present to its Board of Directors for review and consideration. The Settlement Agreement requires PPL to pay CEFIA one hundred thousand dollars for ceasing operation of the Fuel Cell before the end of the Operation Period. PPL will also remove the Fuel Cell from the Project Site and dispose of the Fuel Cell at PPL's sole cost and expense on or before June 1, 2013. PPL and CEFIA will also provide each other with a mutual release from any future claims or obligations under the Assistance Agreement.

CEFIA also received assurances from PPL's outside legal counsel that (1) PPL will not be enriched by terminating this deal prematurely, (2) Fuel Cell Energy, Inc., the manufacturer of the Fuel Cell, will not be providing any funds back to PPL, and (3) the termination of the power purchase agreement between PPL and Pepperidge Farms is conditioned upon a resolution of the issues between PPL and CEFIA.

Based on all of the above, CEFIA staff recommends approval of the attached Settlement Agreement.

RESOLUTION

WHEREAS, PPL Renewable Energy Services, Holdings, LLC (PPL) and the Clean Energy Finance and Investment Authority (CEFIA) , as the successor agency to the Connecticut Clean Energy Fund, entered into a Fuel Cell Financial Assistance Agreement on February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the “Assistance Agreement”), whereby CEFIA agreed to provide financial assistance to PPL with respect to placement and operation of a DFC300 fuel cell and ancillary equipment (the “Fuel Cell”) at the Pepperidge Farm plant in Bloomfield, Connecticut (the “Project”);

WHEREAS, PPL and CEFIA mutually agree that the continued operation of the Equipment by PPL under the Assistance Agreement is not commercially viable or practical; and

WHEREAS, PPL and CEFIA intend to resolve and settle all obligations, disputes, demands and requests for relief and/or damages, claims and all other manners of action or causes of action, disputes and/or claims in law or equity which they may have or may ever have against the other concerning or related in any way to the Assistance Agreement, the Fuel Cell, and/or the Project.

NOW, therefore be it:

RESOLVED, that CEFIA’s Board of Directors authorizes approval of the Settlement Agreement substantially in the form attached to the memorandum submitted to the Board of Directors dated February 8, 2013;

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 terms and conditions consistent with the Settlement Agreement attached to the memorandum submitted to the Board of Directors dated February 8, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

<u>SETTLEMENT AGREEMENT</u>

This Settlement Agreement is entered into on February __, 2013 by and between PPL Energy Services Holdings, LLC ("PPL"), and the Clean Energy Finance and Investment Authority, as the successor agency to the Connecticut Clean Energy Fund ("CCEF"). PPL and CEFIA are individually referred to as a "Party" and collectively referred to as the "Parties".

WITNESSETH:

WHEREAS, PPL and CEFIA entered into a Fuel Cell Financial Assistance Agreement on February 28, 2003 (as subsequently amended and restated on March 4, 2003 and again on October 21, 2004) (the "Assistance Agreement"), which is incorporated herein by reference, whereby CEFIA agreed to provide financial assistance to PPL with respect to placement and operation of a DFC300 fuel cell and ancillary equipment (the "Equipment") at the Pepperidge Farm plant in Bloomfield, Connecticut (the "Project").

WHEREAS, the Parties mutually agree that the continued operation of the Equipment by PPL under the Assistance Agreement is not commercially viable or reasonable.

WHEREAS, the Parties desire to resolve and settle all obligations, disputes, demands and requests for relief and/or damages, claims and all other manners of action or causes of action, disputes and/or claims in law or equity which they may have or may ever have against the other concerning or related in any way to the Assistance Agreement, the Equipment, and/or the Project.

NOW, THEREFORE, in consideration of the promises and conditions set forth herein, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties agree as follows:

1. <u>Operations/Equipment</u>. CEFIA agrees that PPL shall terminate the operation of the Equipment at the Project. PPL will remove the Equipment from the Project site and dispose of the Equipment at PPL's sole cost and expense on or before June 1, 2013.

2. <u>Payment</u>. PPL will pay the sum of One Hundred Thousand Dollars ($100,000.00) to CEFIA within 30 days of the full execution of this agreement.

3. <u>Termination of Agreement</u>. The Assistance Agreement will terminate upon the execution of this Settlement Agreement, and the Parties ongoing obligations to each other shall be limited to the provisions of this Settlement Agreement.

4. <u>Mutual Releases</u>**.** Except as otherwise provided herein and to enforce the terms of this Settlement Agreement, each Party, on behalf of itself and each of its respective past and present divisions, subsidiaries, affiliates, parents, predecessors, successors, assigns, officers, directors, employees, attorneys, contractors, subcontractors, agents, and representatives, hereby generally releases, discharges and acquits each other Party, and its respective past and present divisions, subsidiaries, affiliates, parents, predecessors, successors, assigns, officers, directors, employees, attorneys, contractors, subcontractors, agents, and representatives (each of the foregoing, a "<u>Released Party</u>"), from all manners of action, causes of action, judgments, executions, debts, demands, rights, damages, costs, expenses, and claims of every kind, nature, and character whatsoever, whether in law or in equity, whether based on contract (including, without limitation, quasi-contract or estoppel), statute, regulation, tort (including, without limitation, intentional torts, fraud, misrepresentation, defamation, breaches of alleged fiduciary duty, recklessness, gross negligence, or negligence) or otherwise, accrued or unaccrued, known or unknown, matured,

unmatured, liquidated or unliquidated, certain or contingent, that such releasing Party ever had or claimed to have, or now has or claims to have presently or at any future date.

5. No Admission. Nothing contained in this Settlement Agreement is or shall be construed as an admission by the parties as to the merit of any claim one has or may have against the other.

6. Choice of Law. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of Connecticut, notwithstanding conflict of laws.

7. Construction. This Settlement Agreement shall be construed according to its plain language and not strictly for or against any Party hereto. The captions herein are inserted for convenience, do not constitute a part of this agreement, and shall not be admissible for the purpose of proving the intent of the Parties.

8. Severability. If any provision contained herein shall be held to be unenforceable, such holding shall not affect the validity or enforceability of the other provisions.

9. Entire Agreement. This Settlement Agreement contains and constitutes the entire understanding and agreement between the Parties hereto respective of the subject matter hereof and supersedes and cancels all previous negotiations, agreements, commitments, and writings in connection herewith. The Parties hereto expressly acknowledge that in entering this agreement, they have had the opportunity to consult with counsel of their choice, that they have not relied upon any representation made by or on behalf of the other party, and that any such representations are not enforceable except to the extent set forth herein.

10. Confidentiality. Neither Party shall disclose the terms hereof to any third party absent the express written permission of the other Party except where (a) necessary to comply with any applicable law, order, regulation or exchange rule; provided, however, that each Party shall notify the other Party promptly upon receipt of any request to it in any proceeding that could result in an order requiring such disclosure and the Party subject to such request shall use reasonable efforts to prevent or limit the disclosure; or (b) necessary to effectuate removal and disposal of the Equipment. The Parties shall be entitled to seek all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation; provided, however, that all monetary damages shall be limited to actual direct damages.

11. Third Parties. Nothing herein shall be construed as conferring a benefit upon any other party or entity.

12. Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the Parties have executed this Settlement Agreement as of the execution date stated above.

Clean Energy Finance and Investment Authority	**PPL Energy Services Holdings, LLC**
By:_______________________	By:_______________________
Name:_____________________	Name:_____________________
Title:______________________	Title:______________________

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors
Clean Energy Finance and Investment Authority

From: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Dale Hedman, Director of Project Deployment; Benjamin Healey, Senior Manager of Clean Energy Finance and Alexandra Lieberman, Manager of Clean Energy Finance

Date: February 11, 2013

Re: Proposal to Complete Development of Solar Lease II
A Residential, Institutional & C&I Financing Program

BACKGROUND & SUMMARY

CT Solar Lease II Program ("Solar Lease II" or the "Program") builds on the success of CT Solar Lease I—the nation's first residential PV financing program to combine rate payer funds —through the Connecticut Clean Energy Fund (CCEF)—with private capital provided by U.S. Bank to leverage federal incentives. The program used a combination of solar rebates, investment tax credits, and accelerated depreciation to help Connecticut residents gain access to less-expensive solar energy and lock in electricity costs. The first Solar Lease program ended in late 2011 – and ever since it ended the independent solar PV installer base in CT has been clamoring for CEFIA to reinstate the program, without which they are at a competitive disadvantage vs. the national solar PV leasing companies (e.g., SolarCity, Astrum, etc.).

Staff has been working since June to develop Solar Lease II and has involved discussions with an established tax equity source and the selection through an RFP process of an advisor to CEFIA for the financial structuring and capital raise portion of the program (Reznick Group). Staff also held meetings with several solar PV installation and leasing companies during this period, including representatives of SolarCity, Astrum and SunRun. Sufficient progress had been made through the autumn with Reznick and Wiggin and Dana, CEFIA's outside legal counsel for Solar Lease I and II, for staff to present its findings and request for additional authority for the Program.

At a regular meeting held on November 30, 2012, staff presented to the Deployment Committee a due diligence package which explained in comprehensive detail the program design for Solar Lease II and the program's structural elements. After giving consideration to the materials presented, the Deployment Committee approved resolutions to:

1. recommend to CEFIA's Board of Directors that funding be approved for the Solar Lease II program (the "Program") in the following amounts:
    a. an amount not-to-exceed $3.5 million for a Loss Reserve (LLR) through the use of repurposed ARRA-SEP program funds;
    b. an amount not-to-exceed $7.2 million for Sponsor Equity to be invested into the SPV to be established for the Program and as part of the capital required to establish the Program; and
    c. an amount not-to-exceed $2.3 million for Subordinated Debt to be loaned to the SPV as part of the capital required to establish the Program

2. authorize CEFIA staff to work with the Reznick Group to manage a capital raise in an amount not to exceed $60 million for the Program;
3. authorize the President of CEFIA and any other duly authorized officer of CEFIA, execute and deliver, any contract or other legal instrument necessary to secure a non-binding agreement with senior lender(s) and a tax equity investor and subject to final approval by CEFIA's Board of Directors on such terms and conditions consistent with the presentation in Staff's Program Qualification Memo dated November 30, 2012.

Since that meeting of the Deployment Committee, Staff has worked with Reznick Group to

A. finalize a presentation to several financial institutions that would potentially form a syndicate of lenders to the yet to be incorporated SPV to be established pursuant to authority being requested during the meeting of the Board of Directors on February 15, 2013 (see "Debt Presentation");
B. more precisely determine the financial parameters of the Program, specifically:
   i. the amount and type of equipment to be deployed and to which end users, specifically:
      a. solar PV systems and solar thermal (hot water) systems (see below); and
      b. residential (single family homes), "A"-rated commercial and not-for-profit users and municipalities and school districts (see below),
   ii. the amount of senior loan capital that can be reasonably supported by the proposed structure;
   iii. the amount of tax equity capital that can be attracted to the structure;
   iv. the amount of capital to be contributed by CEFIA in the form of
      a. Equity capital to co-own the entity that will provide lease financing for Connecticut homeowners and "A"-rated commercial users and power purchase agreements for municipalities, school districts and "A"-rated not-for-profit entities.
      b. Subordinate loan capital to complete the capital requirements of the Program.

Residential PV Summary

Key Fund Details	
Total Hard Costs	~$45.8 million
Number of systems	[1560] systems
Average System Size	7 kW
Total Portfolio MW	10.92 MW
Average Lease Rate	Monthly payment of $93 for Connecticut Light & Power Customers, and $113 for United Illuminating customers
Lessor	CT Solar Leasing 2, LLC c/o AFC First Financial Corporation
Lease Term	20 years
Servicing Company	AFC First Financial Corporation
Tax Equity Provider	TBD
Debt Provider	TBD
Installer	49 approved installers who have applied for CEFIA incentives
O&M Provider	Installer
Insurance Provider	Homeowner insurance plus supplemental insurance to benefit Fund as an additional backstop

Municipal, School District and "A" rated Commercial Solar PV Summary

Key Fund Details	
Total Hard Costs	~$8.5 million
Number of systems	[32] systems
Average System Size	100 kW
Total Portfolio MW	3.2 MW
Average PPA Price	$0.10/kWh
System Owner	CT Solar Leasing 2, LLC c/o AFC First Financial Corporation
PPA Term	20 years
Servicing Company	AFC First Financial Corporation
Tax Equity Provider	TBD
Debt Provider	TBD
Installer	49 approved installers who have applied for CEFIA incentives
O&M Provider	Installer
Insurance Provider	TBD

Capital Raise

Staff and Reznick estimate Solar Lease II will require just over $61 million of capital to fund the aforementioned solar PV and solar thermal systems. In contrast to Solar Lease I, most funds will be from private capital sources, leveraging CEFIA funding more than 5 times. To attract this capital, not only is CEFIA's capital required, but also ARRA-SEP funds enable the fund to achieve superior debt service coverage ratios (DSCR) in excess of 200% - far exceeding usual project finance DSCRs of 1.4x to 1.6x

CEFIA

- CEFIA participates at all levels of the capital stack

$ 7.2M Managing Member and Developer Equity
$ 2.3M Subordinated Debt at 2%

$ 9.5M CEFIA Investment (non-PBI)

$16.5M PBI – set at ~25% below Step 2

$26.0M Ratepayer Incentives

$ 3.5M LLR (ARRA-SEP)

$28.1M Total Public Funds Out

Private Capital

- $23.8M [TBA] (Tax Equity)
- $28.0M [TBD] Senior Lender
  - Reznick Capital Markets has been retained to source and secure senior lender(s) - very active interest
  - CEFIA is negotiating term sheet with tax equity investor
  - LLR will ensure Senior Debt Service Coverage Ratio is 200% or more, making SL2 highly attractive (usually ~1.4x-1.6x)

Co-Owning the Leasing Company and Recovering Ratepayer Dollars

One key structural element that distinguishes Solar Lease II from Solar Lease I is the ownership of the leasing company. In Solar Lease I, the company, CT Solar Lease, was co-owned by the tax equity provider, U.S. Bank and Gemstone, a facilitator of the transaction and the member manager of the leasing company. CEFIA provided loan financing (~$15 million) in that structure and does not participate in the financial returns, which are shared between U.S. Bank and Gemstone. In order to capture for ratepayers the investment returns from the significant leasing revenue that will result over the 20-year lease term, it is proposed that CEFIA, together with U.S. Bank, own the leasing company – CT Solar Lease II. By participating in the ownership of CT Solar Lease II with U.S. Bank, CEFIA will receive:

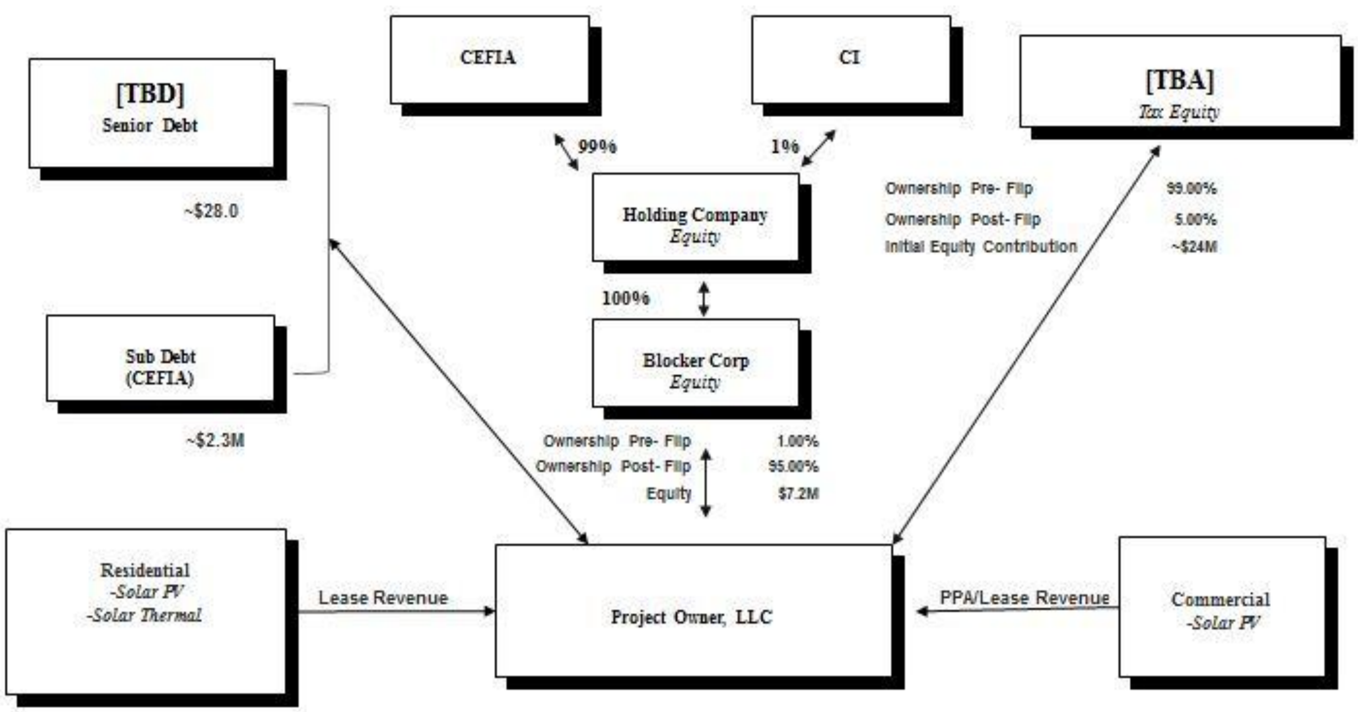
I. Subordinated Loan Payments and Deferred Developer Fee Distributions starting in 2013,
II. Managing Member distributions starting not later than 2029 (maturity date of Senior Loans)

In the structure, referred to as a "partnership flip" due to the shift in the allocation of returns after the 5 year Federal Investment Tax Credit recapture period has elapsed, U.S. Bank would receive a Preferred Return and 99% of tax attributes (Investment Tax Credit and accelerated depreciation) "pre-Flip" (up to 4/1/2020). "Post-Flip" nearly all cash and 95% of tax attributes (negligible) will flow to CEFIA

By completion in 2034, CEFIA expects to receive $24.5M on its $9.5M investment for an internal rate of return (IRR) of ~9-10% plus recover ~90%-100% of the CEFIA $16.5 performance based incentives (PBI) that is provided to solar leasing companies in accordance with the Step 3 Residential Solar Investment Program.

CT Solar Lease II

Ownership and Capital Structure



In the structure above, CEFIA needs to establish a so-called "blocker corporation" to insulate the "non-taxable" nature of CEFIA from the Project Owner LLC (CT Solar Lease II) which will derive for the tax equity investor the benefit of Federal investment tax credits and accelerated depreciation on the equipment to be owned by CT Solar Lease II. This structure has been reviewed by outside legal and tax counsel.

Establishing an SPV by CEFIA

As submitted separately to the Board of Directors for approval, in order to attract the private capital required for CT Solar Lease II, CEFIA has the need to establish and utilize SPVs as shown in the diagram above. Due to the requirement that CEFIA can create an affiliate with one or more other persons or entities CEFIA requested Connecticut Innovations Inc. ("CI") to own a minimum shareholding (i.e., 1%) in the "parent" or holding company SPV together with CEFIA's proposed 99% ownership. CI's Board approved the proposal at its meeting held January 28, 2013. As part of the January 15th, 2013 Board meeting as a separate agenda item, CEFIA staff also requests that the Board of Directors authorize the establishment of the proposed SPV holding company as well as the programmatic SPVs thereunder so as to enable CEFIA to complete the development of Solar Lease II.

Request for Approval

CEFIA staff requests that the Board of Directors authorize, subject to documentation mutually agreeable to CEFIA, the senior loan syndicate, the tax equity investor and the loan servicer, with advice and counsel by Reznick Group, CEFIA's advisor for the financial structuring and capital raise portion of the program, Marcum LLP, CEFIA's accountants and CEFIA's outside legal counsel, Wiggin and Dana:

- **General Approval to Launch the Solar Lease II Program**
- **Specific Approval to Form Holding Company & SPVs for SL-II**
- **Specific Approval for the following financial elements**
    - Subordinate Debt (up to $2.3M)
        - 2% current interest rate
        - 20 - year maturity
        - Flexibility to structure repayment profile
    - Co-sponsor Equity w/ Tax Equity Partner (up to $7.2M)
        - Enabling CEFIA to earn a market return on investment
        - Enabling CEFIA to potentially recapture 90-100% of PBI solar incentives
    - Authority to deploy $3.5M of ARRA-SEP funds to the Program
- **Approval to enter into definitive term sheets in respect of:**
    - Partnership agreement and usual & customary documentation in order to raise approximately $24 million in tax equity capital for the Program; and
    - Loan Agreement, Servicing Agreement & other usual & customary documentation in order to raise approximately $28 million in senior loan capital for the Program

RESOLUTIONS

WHEREAS, Clean Energy Finance and Investment Authority (CEFIA)proposes to reintroduce its Solar Lease program which builds on the success of the first Solar Lease program and achieves the additional benefits of enabling Connecticut homeowners to work with qualified installers of their choice, ensuring that Connecticut's solar installer base remains robust, diverse and able to reach all Connecticut residents, permit homeowners to lease systems for a 20-year period (5 years longer than the first program and competitive with the major national installers), permit financing of solar hot water systems and make a portion (20%) of the fund proposed available to non-residential end-users;

WHEREAS, CEFIA's program partners are desirous of moving to the capital raise phase of the program, having achieved a capital structure and program design that CEFIA staff and CEFIA's advisors believe will be successful;

WHEREAS, CEFIA has entered into an Memorandum of Agreement (MOA) with the Department of Energy and Environmental Protection (DEEP) to repurpose American Recovery and Reinvestment Act State Energy Program (ARRA-SEP) funds for the undertaking of clean energy project of mutual interest;

WHEREAS, the project of mutual interest set forth in the MOA is to provide funding for credit enhancements (i.e., loan loss reserves, interest rate buy-downs, third party loan insurance) for financing programs administered by CEFIA. One of the programs supported by the ARRA-SEP funding is the CT Solar Lease II Program (the "Program");

NOW, therefore be it:

(1) **RESOLVED**, that the Board of Directors approve funding for the Program in the following amounts:

A. an amount not-to-exceed $3.5 million for a Loss Reserve (LLR) through the use of repurposed ARRA-SEP program funds;
B. an amount not-to-exceed $7.2 million for sponsor equity to be invested into the special purpose vehicle to be established for the Program; and
C. an amount not-to-exceed $2.3 million for subordinated debt

(2) **RESOLVED**, that the Board of Directors authorizes CEFIA staff to work with the Reznick Group to manage a capital raise in an amount not to exceed $60 million in private (non-CEFIA provided) capital for the Program;

(3) **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 secure a non-binding agreement with senior lender(s), a tax equity investor and a loan servicer, subject to final approval by CEFIA's Board of Directors on such terms and conditions consistent with the presentation in Staff's Program Qualification Memo dated November 30, 2012 as updated by the Staff's memo to the Board of Directors dated February 11, 2013 concerning "Proposal to Complete Development of Solar Lease II, A Residential, Institutional & C&I Financing Program" 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

(4) **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 or instruments.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Dale Hedman, Director of Project Deployment; Benjamin Healey, Senior Manager of Clean Energy Finance and Alexandra Lieberman, Manager of Clean Energy Finance

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors
Clean Energy Finance and Investment Authority

From: Bryan Garcia, President and CEO, CEFIA
Bert Hunter, Chief Investment Officer, CEFIA
Brian Farnen, General Counsel, CEFIA

Date: February 11, 2013

Re: Proposal to Establish Special Purpose Holding Company and Special Purpose Subsidiaries

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SUMMARY

Pursuant to Public Act 11-80, CEFIA was established to (A) develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as CEFIA may determine; (B) support financing or other expenditures that promote investment in clean energy sources in accordance with a comprehensive plan developed by CEFIA to foster the growth, development and commercialization of clean energy sources and related enterprises; and (C) stimulate demand for clean energy and the deployment of clean energy sources within the state that serve end-use customers in the state.

Further to this mandate, CEFIA has obtained approval from the Board of Directors to develop several initiatives to support clean energy investment for the residential (single family homes and multi-family properties), MUSH (municipalities, universities, schools and hospitals) and commercial/industrial sectors. Related to these efforts as Connecticut's "Green Bank" is the need to attract private capital for these initiatives. In doing so, CEFIA must create financial structures that will offer a framework of credit and investment support so that assets of the financing projects can be secured for the benefit of lenders and investors to ensure the greatest opportunity for repayment of a specific debt or for a return on investment.

For the benefit of the private capital provider, these financial structures typically require the creation of special purpose vehicles or entities (so-called "SPVs"), which may be corporations, limited liability companies ("LLCs") or limited partnerships. Whether an entity takes one form or another is generally driven by the facts and circumstances of the transaction, and would involve consideration for the underlying project or projects, the associated collateral.

Need for SPVs

At the present time, CEFIA's Board of Directors (or committees of the Board) has directed staff to develop two key initiatives that will require the formation of a "parent" or "holding company" SPV as the owner of three subsidiary SPVs. Actively under development are two initiatives that each requires the establishment of an SPV. They are: (1) CT Solar Lease II and (2) CEFIA's Solar Loan program. Both SPVs will hold for the benefit of the lenders and investors proposed for the projects all of the collateral associated with these financing programs. See attached addenda: “CEFIA Residential Program Summary”.

Establishing an SPV by CEFIA

In order to fulfill its obligations as set forth in Public Act 11-80 in an effective manner – and to attract the private capital required for these efforts – CEFIA has the need to utilize SPVs in the financing programs being developed. However, CEFIA cannot create a subsidiary or special purpose vehicle by itself, but based on the language in CEFIA's enabling legislation constituting it the successor to Connecticut Innovations (CI) as administrator of the Clean Energy Fund and granting it the "privileges" CI had with respect to the Clean Energy Fund, CEFIA can create an affiliate for the purposes of Clean Energy Fund investments provided that the affiliate is created with one or more other persons or entities for purposes of providing financial aid through one or more affiliates in raising the capital for such affiliates, in whole or in part, from sources other than the State. (See attached legal analysis by Bruce A. Chudwick, Esq., Shipman & Goodwin LLP. – Exhibit B)

For this reason, CEFIA requested CI to own a minimum shareholding (i.e., 1%) in the “parent” or holding company SPV together with CEFIA’s proposed 99% ownership. CI’s Board approved the proposal at its meeting held January 28, 2013.

Under the arrangement with CI, CI’s financial contribution will be the nominal cost to subscribe to one common share or membership unit at a proposed price of one dollar ($1.00) and CEFIA would have all other funding obligations which would include:

a) the balance of the capital in common shares or membership units ($99),
b) all operating costs, including any and all taxes and
c) all funding requirements.

In addition, CEFIA would indemnify CI for any liability, costs or expenses incurred by virtue of its ownership. Prior to formation, CEFIA and CI would jointly determine the preferred formation – whether that be a corporation or a limited liability company – so as to simplify administration.

Related to this request, and similar to authority that has been granted to CI to establish subsidiaries without other parties, CEFIA will seek similar authority this legislative session and, if successful, we would work with CI so as to redeem any ownership CI may have in the arrangements proposed here.

Structure Overview

As an example of how the holding company and the SPVs would be utilized, refer to the attached diagram (Exhibit A). What is shown is:

- Pursuant to the legal analysis by Shipman & Goodwin – a holding company affiliate of CEFIA owned 99% by CEFIA and owned 1% by CI which would satisfy the statutory requirement of owning the holding company entity with “one or more persons or entities.”
- Under the holding company and established pursuant to the by-laws of the holding company would be the SPVs needed for the programs CEFIA is developing, namely the SPVs for the Solar Lease Version 2 program and the Solar Loan program.

The SPVs capture for the benefit of the private capital providers, as well as for CEFIA, the cash flows and security interests in the loans and assets generated by the program which is what is necessary in order to offer the capital providers a structure that is sound and secure.

Request for Approval

CEFIA staff requests that the Board of Directors authorize, subject to documentation mutually agreeable to CEFIA and CI and review by CEFIA's accountants (Marcum LLP) and CEFIA's outside counsel, the establishment of the proposed SPV holding company as well as the programmatic SPVs thereunder so as to enable CEFIA to complete the development of its financing programs as set forth under Public Act 11-80, in particular and urgently SPVs for the Solar Lease Version 2 program and the Solar Loan program.

RESOLUTIONS

WHEREAS, Pursuant to Public Act 11-80, CEFIA was established to (A) develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as CEFIA may determine;

WHEREAS, prior to this date, the Board of Directors or Committees of the Board of Directors have approved the development of several initiatives to support clean energy investment for the residential (single family homes and multi-family properties), MUSH (municipalities, universities, schools and hospitals) and commercial/industrial sectors;

WHEREAS, related to these efforts is the need to attract private capital for these initiatives and, in doing so, CEFIA must create financial structures that will offer a framework of credit and investment support so that assets of the financing projects can be secured for the benefit of private capital providers to ensure the greatest opportunity for repayment of a specific debt or for a return on investment;

WHEREAS, for the benefit of the private capital providers, these financial structures typically require the creation of special purpose vehicles or entities (so-called "SPVs"), which may be corporations, limited liability companies ("LLCs") or limited partnerships; and

WHEREAS, the Board of Directors (or committees of the Board of Directors) has directed staff to develop two key initiatives that will require the formation of a "parent" or "holding company" SPV as the owner of three subsidiary SPVs, specifically, (1) CT Solar Lease II and (2) CEFIA's Solar Loan program

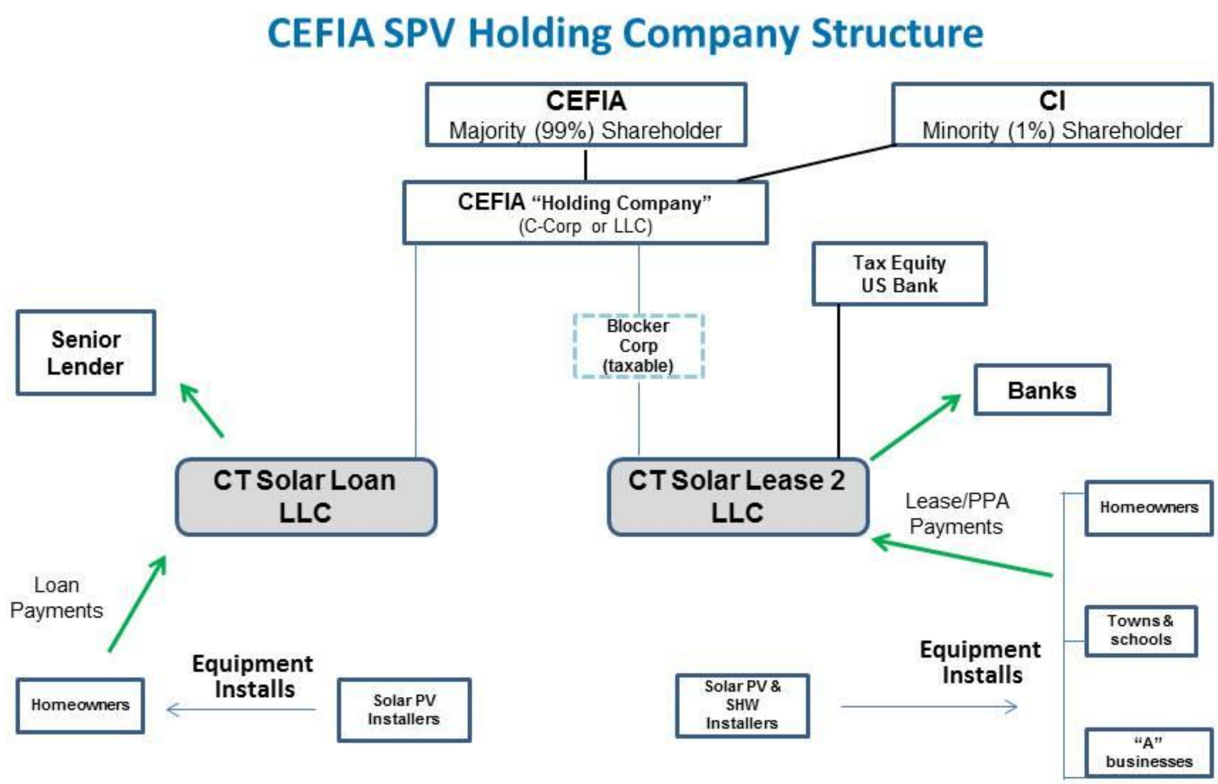
Now, therefore, be it hereby

RESOLVED, that the Board of Directors hereby authorizes staff to establish an SPV holding company as well as the programmatic SPVs thereunder, subject to documentation mutually agreeable to CEFIA and Connecticut Innovations, Inc. and review by CEFIA's accountants and CEFIA's outside counsel so as to enable CEFIA to complete the development of its financing programs as set forth under Public AAct 11-80, in particular SPVs for the Solar Lease II program and the Solar Loan program.

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 establish an SPV holding company as well as the programmatic SPVs thereunder consistent with the memorandum submitted to the Board of Directors dated February 11, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

Exhibit A



CEFIA SPV Holding Company Structure
CEFIA
Majority (99%) Shareholder
CI
Minority (1%) Shareholder
CEFIA "Holding Company"
(C-Corp or LLC)
Tax Equity
US Bank
Senior
Lender
Blocker
Corp
(taxable)
Banks
CT Solar Loan
LLC
CT Solar Lease 2
LLC
Lease/PPA
Payments
Homeowners
Loan
Payments
Towns &
schools
Equipment
Installs
Equipment
Installs
Homeowners
Solar PV
Installers
Solar PV &
SHW
Installers
"A"
businesses

Exhibit B

Shipman & Goodwin Legal Analysis

RE: CEFIA Ability to Establish Special Purpose Entities or Affiliates

CEFIA Residential Program Summary

CT Solar Lease – Version 2.0

The CT Solar Lease 2 Program is the successor to the original CT Solar Lease Program, funded by the Connecticut Clean Energy Fund (CCEF) and US Bank, the first state sponsored residential solar leasing program in the United States. A special purpose entity, CT Solar Leasing, LLC contracted with AFC First Financial Corp and Gemstone Lease Management, LLC, to administer and manage the CCEF program which ran from 2008-2011 and funded 855 systems. The CCEF provided solar rebates as well as debt capital for the CT Solar Lease 1 Program. CT Solar 1 Lease was honored by the Clean Energy States Alliance with a State Leadership in Clean Energy ("SLICE") Award in 2012.

Following the end of the first Solar Lease program, the independent solar PV installer base in CT has been at a competitive disadvantage vs. the national solar PV leasing companies (e.g., SolarCity, Astrum, etc.). Connecticut independent solar PV installer are unable to compete without an independent source of capital which, like the first Solar Lease program, can aggregate capital requirements.

The capital raise CEFIA is proposing will differ in three major respects from the first Solar Lease program:

1. In the first program, CCEF provided 100% of the residual capital not provided by US Bank. In Solar Lease 2 – CEFIA will provide only 20% of this residual capital requirement – commercial banks will provide the balance. The proposed SPV holding company would establish 2 subsidiary SPVs to enable the banks to secure their collateral in the lease payments and equipment to be owned by these two SPVs.
2. Another difference in the proposed structure is the ownership of the SPV. In the first program, the ownership of the SPV was shared between US Bank, as tax equity provider and Gemstone Group. By restructuring this ownership in Solar Lease 2, CEFIA, not Gemstone nor any other party would capture these value streams and cash flows and reduce the net investment of ratepayer funds required to deploy solar PV in Connecticut.

CT Solar Loan Program

The Solar Loan Program being developed by CEFIA and Sungage, Inc. (Sungage) offers an innovative loan structure specifically targeted at residential solar ownership. The proposed pilot will enable CEFIA to promote solar ownership in Connecticut with a $300,000 Loan Loss Reserve (LLR) from DOE (ARRA-SEP) funds, a subordinated debt term loan component of $500,000 and $4,500,000 of private capital. The CEFIA funds and private capital funds will be managed using an SPV/limited liability company which will be the mechanism for holding the collateral pool of loans and security interests in the residential solar PV systems as well as allocating the cash flows between CEFIA and the private capital provider. Sungage will provide contractor training, financing tools, and administration of the program. Funds management and loan application / administration responsibilities will be handled by LeaseDimensions, an established major consumer loan administrator whose client list includes GE Capital, Volkswagen Credit, Coca-Cola, Hewlett-Packard, and Ford Credit.

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Memo

To: Board of Directors

From: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Ben Healey, Senior Manager of Clean Energy Finance and Alexandra Lieberman, Manager of Clean Energy Finance

CC: Mackey Dykes, Chief of Staff, Brian Farnen, General Counsel

Date: February 8, 2013

Re: Smart-E Residential Energy Efficiency Loan Program –$500,000 Contractor working Capital Loan Program

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As part of the Smart-E Residential Energy Efficiency Loan Program ("Smart-E loan program"), which is designed to promote deep energy efficiency retrofits, renewable energy deployment, and fuel and equipment conversions in single-family homes across the state, and based on discussions with private capital partners, CEFIA staff recommends the establishment of a $500,000 Working Capital Loan Program for the benefit of contractors participating in the Smart-E program.

Approval by CEFIA's Board of Directors is required under CEFIA's By-Laws, since the Deployment Committee has already approved $2,500,000 in repurposed ARRA-SEP funds for the Smart-E loan program. Adding in this new request would therefore exceed the Deployment Committee's $2,500,000 approval authority under CEFIA's By-Laws.

Background

On November 30, 2012, the Deployment Committee approved the establishment of a Smart-E loan program (as submitted to the Deployment Committee, the program was at the time called the "CT HELPs Loan Program") to promote deep energy efficiency retrofits, renewable energy deployment, and fuel and equipment conversions in single-family homes across the state. In line with the State's Draft Comprehensive Energy Strategy, the Smart-E loan program seeks to "go beyond a traditional focus on upgraded lighting and weather stripping to deliver deeper efficiency gains in heating, air conditioning, ventilation, insulation, windows, furnaces, boilers, and other appliances… through innovative financing mechanisms [sourced via] Connecticut's first-in-the-nation Green Bank (the 'Clean Energy Finance and Investment Authority')."

Program Update

CEFIA staff have worked with five credit unions and community banks ("Financial Institutions," or "FIs") since November 2012 to enlist their participation in the Smart-E loan program. Some of the challenges faced by staff have included:

(a) Developing a “financing agreement” with an innovative loan loss reserve program to encourage FIs to join the program and make loans in an asset class generally unfamiliar to them while, at the same time, aligning the interests of CEFIA with the FIs. CEFIA has achieved this by structuring the loan loss reserve to require the FIs to own the “first loss” of a credit delinquency while offering robust, but limited, support for losses in excess of the FIs’ “first loss.”

(b) Developing a customer acquisition and loan onboarding process that would be quick and simple for the FIs and contractors, while offering affordable loans to homeowners through an easy-to-understand and “technology agnostic” program for clean energy systems and energy efficiency measures, designed to encourage deep retrofits and (where appropriate) fuel and equipment conversions.

(c) Integrating this new financing offering into the existing context of a utility-administered energy efficiency program overseen by the Energy Efficiency Board through the Connecticut Energy Efficiency Fund (“CEEF”).

CEFIA staff have made significant progress and, as of January, two significant financial institutions are now prepared to enter into a financing agreement with CEFIA: Patriot National Bank, a community bank based in Stamford with branch coverage in Fairfield and New Haven counties and over $600 million in assets; and Sikorsky Financial Credit Union, Connecticut’s 4th largest credit union with nearly $700 million in assets, 54,000 members and a service territory that covers Fairfield, New Haven and Hartford counties. Both institutions are working diligently with CEFIA staff to launch the Smart-E loan program no later than March 1.

Proposed Program

One of these initial partners, Sikorsky FCU, recently commented to CEFIA staff that the proposed structure of the Smart-E loan program contains the following problematic feature: a 30% advance to the borrower to provide for working capital needs, designed to fund a progress payment for the contractor who is installing the clean energy or energy efficiency measures, with a subsequent disbursement of the balance of the loan upon project completion. This 30% advance presents Sikorsky with a loan processing issue, as their unsecured loan software is designed for a single disbursement. While Sikorsky is willing to undertake a revision to their software, such changes take months to implement. Furthermore, Sikorsky believes this barrier is present at several other credit unions with whom CEFIA is also currently seeking to partner.

One way to mitigate this software barrier in the near-term while the credit unions update their processing systems would be for CEFIA to advance the 30% payment to the contractor for Sikorsky (and other FIs), provided Sikorsky has approved the loan for the homeowner’s project. Sikorsky will agree to CEFIA’s requirement that the 30% payment that would have gone to the contractor instead be directed (via a legal assignment) to CEFIA in order to repay the advance.

Strategic Plan

Is the program or project proposed, consistent with the Board approved Comprehensive Plan and Budget for the fiscal year?

As a new program in the residential sector, staff explained to the Deployment Committee at its November 30, 2012 meeting that the Smart-E loan program is consistent with CEFIA’s Comprehensive Plan. This working capital loan program supports that program and consequently is consistent with CEFIA’s Comprehensive Plan. Statutorily, CEFIA is permitted to use its resources

"…for expenditures that promote investment in clean energy in accordance with [CEFIA's Comprehensive Plan]…." The Smart-E loan program is also consistent with a formal request for such a program by the Commissioner of the Department of Energy and Environmental Protection as required under PA 11-80 and in support of the Comprehensive Energy Strategy.

Ratepayer Payback

How much clean energy is being produced (i.e. kWh over the projects lifetime) from the program or project versus the dollars of ratepayer funds at risk?

The proposed program is in support of the Smart-E loan program approved by the Deployment Committee on November 30, 2012. Estimates are that the Smart-E loan program will save over 200,000 MMBtu's of energy a year from the $2,500,000 loan loss reserve and $500,000 of working capital being provided by CEFIA to attract nearly $28,000,000 of private capital investment from credit unions and community banks.

Terms and Conditions

What are the terms and conditions of ratepayer payback, if any?

The loans to the contractor are expected to attract an interest rate of 1.75% over the Prime Rate, or 5%. Ratepayer funds will be paid back through an assignment of the 30% advance payment that otherwise would have gone to the contractor from the proceeds of the homeowner's FI loan. Since payment will come from loans approved by credit unions for approved energy efficiency or clean energy projects, CEFIA staff are comfortable with the ratepayer payback mechanism. The loans are anticipated to be repaid within 60-90 days.

Capital Expended

How much of the ratepayer and other capital that CEFIA manages is being expended on the program or project?

$500,000 on a revolving loan basis. $2,500,000 in repurposed ARRA-SEP funds has previously been approved.

Risk

What is the maximum risk exposure of ratepayer funds for the program or project?

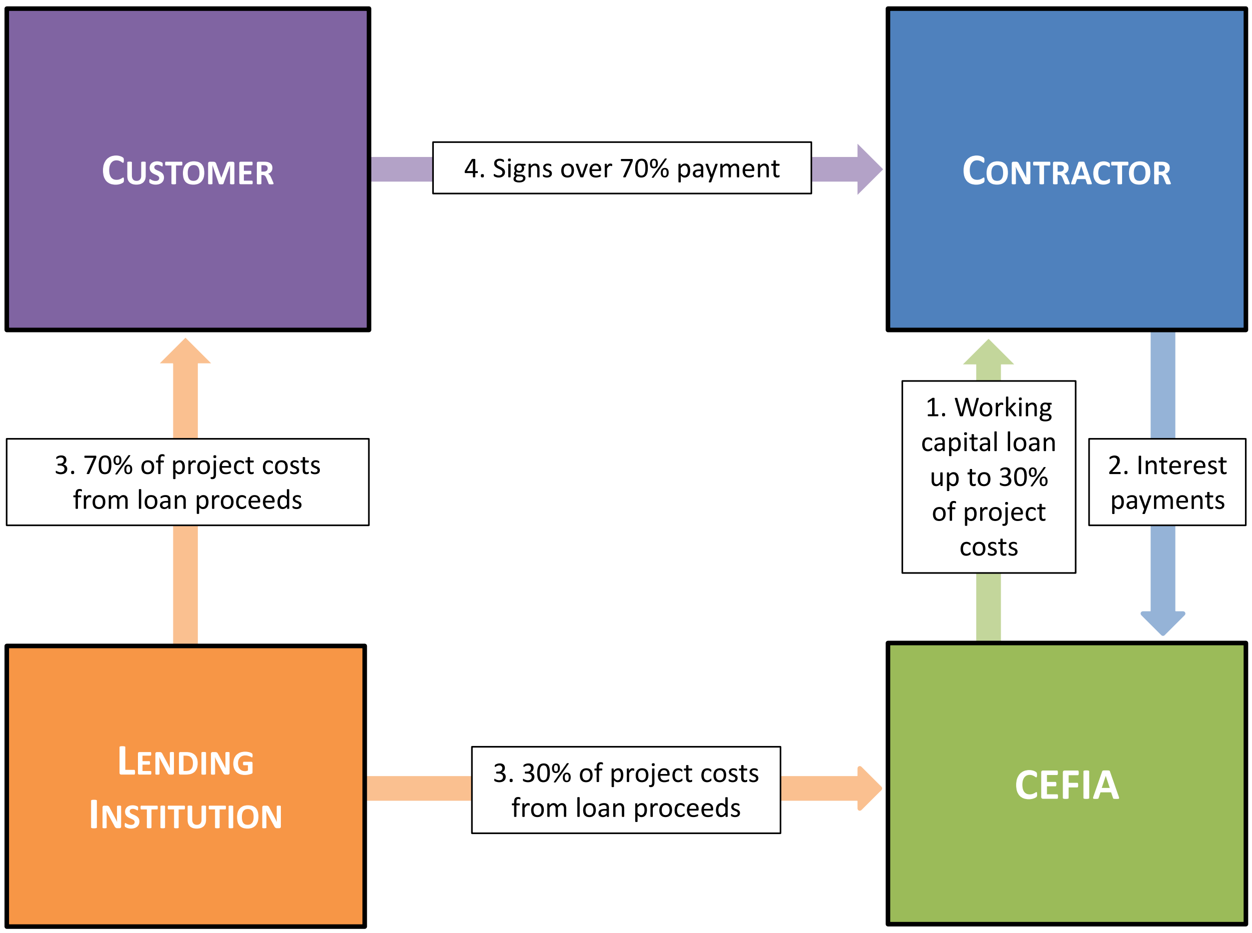
Up to $500,000 of ratepayer funds are at risk for the program. Staff are in the process of determining "sub-limits" for individual contractors, but no one contractor would be eligible for more than $75,000 of advances which would (at an average advance of $3,000 per project) represent 25 household projects outstanding at one time.

Financial Statements

How is the program or project investment accounted for on the balance sheet and profit and loss statements?

As funds are advanced for loans, there would be a reduction in the CEFIA Cash and Cash Equivalents Account (Current Asset on the Balance Sheet) and a corresponding increase in "Promissory Notes – Smart-E Working Capital Loan Program (Non-Current Asset on the Balance Sheet)

Capital Flow Diagram



Target Market

Who are the end-users of the program or project (i.e. rich, poor, middle class, etc.)?

The end-users of the program are contractors utilizing the Smart-E loan program, a statewide clean energy financing program for homeowners.

RESOLUTION

WHEREAS, Section 99 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”), CEFIA is directed to, amongst other things, to develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine;

WHEREAS, CEFIA seeks to establish a $500,000 working capital loan program in support of the Smart-E Loan Program, ultimately a state-wide program for homeowners to promote deep energy efficiency retrofits, renewable energy deployment, and fuel and equipment conversions in single-family homes across the state, in line with Public Act 11-80, the State’s Draft Comprehensive Energy Strategy and CEFIA’s Strategic Plan;

NOW, therefore be it:

RESOLVED, that CEFIA’s Board of Directors authorizes the establishment of a $500,000 working capital loan program for the benefit of contractors participating in the Smart-E loan program;

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 $500,000 working capital loan program with terms and conditions consistent with the memorandum submitted to the Board of Directors dated February 8, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers; 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.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Ben Healey, Senior Manager of Clean Energy Finance and Alexandra Lieberman, Manager of Clean Energy Finance