



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

November 16, 2011

Dear Clean Energy Finance and Investment Authority Board of Directors:

I am looking forward to continuing our progress in building the Clean Energy Finance and Investment Authority with you.

Our regular meeting is scheduled for Monday, November 21, 2011 at 9:00 a.m. at our offices located at 865 Brook Street Rocky Hill, CT. For those of you that are interested in participating by webinar, we have established a capability to do that through iMeet.

To prepare you for the meeting, we have provided you with all of the necessary background information that will be covered on the agenda and the associated resolutions.

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.

Sincerely,

Bryan Garcia  
President and CEO



# CLEAN ENERGY

## FINANCE AND INVESTMENT AUTHORITY

### AGENDA

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

Monday, November 21, 2011 – Regular Meeting  
9:00 to 10:45 a.m.

Staff Invited: George Bellas, Keith Frame, Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Peter Longo, and Bob Wall

1. Call to order
2. Public Comments – 10 minutes
3. Approval of meeting minutes for October 31, 2011\* – 5 minutes
4. Recommendation by the Audit, Compliance and Governance Committee to the Board of Directors of Approval of FY 2011 Draft CCEF Audited Financial Statements\* – 5 minutes
5. Update from the President – 5 minutes
6. Strategic Planning Retreat: Results and Next Steps\* – 30 minutes
7. Memorandum of Understanding between Connecticut Innovations and the Clean Energy Finance and Investment Authority\* – 10 minutes
8. Technology Innovation Program Overview – 30 minutes
9. Human Resources: General Counsel Search\*\* – 10 minutes
10. Adjourn

\* Denotes item requiring Board action

\*\* Denotes possible Executive Session item

***Next Meeting: Friday, December 16, 2011 from 3:00-5:00 p.m.  
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

Monday, November 21, 2011 – Regular Meeting  
9:00 to 10:45 a.m.

Staff Invited: George Bellas, Keith Frame, Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Peter Longo, and Bob Wall

1. Call to order
2. Public Comments – 10 minutes
3. Approval of meeting minutes for October 31, 2011\* – 5 minutes

**Motion to approve the minutes of the Board of Directors October 31, 2011 Special Meeting. Second. Discussion. Vote.**

4. Recommendation by the Audit, Compliance and Governance Committee to the Board of Directors of Approval of FY 2011 Draft CCEF Audited Financial Statements\* – 5 minutes

**Motion to accept the recommendation of the Audit, Compliance and Governance Committee to approve of the Audited Financial Statements and the Federal Single Audit Report of the Connecticut Clean Energy Fund for the Fiscal Year Ending June 30, 2011. Second. Discussion. Vote.**

5. Update from the President – 5 minutes
6. Strategic Planning Retreat: Results and Next Steps\* – 30 minutes

**WHEREAS, the purposes of the ARRA SEP funds obligated to the Connecticut Clean Energy Fund (CCEF) by Connecticut's Office of Policy and Management (OPM) are consistent with the comprehensive plan adopted by the Board of Directors of the CCEF; and**

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

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

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

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

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

**WHEREAS, the DOE will consider as fully expended any funds so repurposed at the time the funds are obligated from the DEEP to CEFIA for financing programs; and**

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

**NOW, THEREFORE, BE IT:**

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

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

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

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

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

**RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract or other legal instrument necessary to effect this Resolution on such terms and conditions as he or she shall deem to be in the interests of CEFIA and the ratepayers, in**

conformance with the wishes of the Board, and in conformance with CEFIA's operating procedures.

**RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect the above-mentioned legal instrument.**

7. Memorandum of Understanding between Connecticut Innovations and the Clean Energy Finance and Investment Authority\* – 10 minutes

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

8. Technology Innovation Program Overview – 30 minutes
9. Human Resources: General Counsel Search\*\* – 10 minutes

**Motion to approve the revised position description for General Counsel of CEFIA. Second. Discussion. Vote.**

10. Adjourn

\* Denotes item requiring Board action

\*\* Denotes possible Executive Session item

**Call-in information: 1-719-867-0487**

**Audio Key: 772184**

***Next Meeting: Friday, December 16, 2011 from 3:00-5:00 p.m.  
Clean Energy Finance and Investment Authority, 865 Brook Street, Rocky Hill, CT***



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FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #1**

Call to Order

November 21, 2011



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## **Board of Directors of the Clean Energy Finance and Investment Authority**

**Agenda Item #2**

Public Comments

November 21, 2011



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## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #3**

Approval of Meeting Minutes of October 31, 2011

November 21, 2011





**CLEAN ENERGY**

FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #4**

Audit, Compliance and Governance Committee

November 21, 2011



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## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #5**

Update from the President

November 21, 2011



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## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #6**

Strategic Planning Retreat: Results and Next Steps

November 21, 2011

# Strategic Planning Retreat

## Participants



- ▶ **CEFIA** – board of directors and staff
- ▶ **Public Agencies** – DEEP and DOE
- ▶ **Utilities** – UI and NU
- ▶ **End-Users** – CBIA, CCIC, and CCM
- ▶ **Contractors** – Solar Connecticut and Celtic Energy
- ▶ **Financiers** – foundation, private equity, mezzanine finance, investment banking, tax equity, and insurance
- ▶ **Facilitators** – Raab Associates, Collective Next, and Rockefeller Brothers Fund



# Strategic Planning Retreat Agenda



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- ▶ Welcome and introductions
- ▶ Overview of CCEF and CEFIA
- ▶ Mission
- ▶ Financing the Mission
- ▶ Structure
- ▶ Near and Long-Term Strategies
- ▶ Measuring Success



# Vision

## Board of Directors



**Attract and deploy capital to  
finance the clean energy  
goals for Connecticut**

# Goals

## Board of Directors



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**Become the most energy efficient state in the nation**

**Scale-up the deployment of renewable energy in the state**



**Support the infrastructure needed to lead the clean energy economy**

# Strategies

## Strategic Planning Retreat



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Educate  
customers

Aggregate  
demand

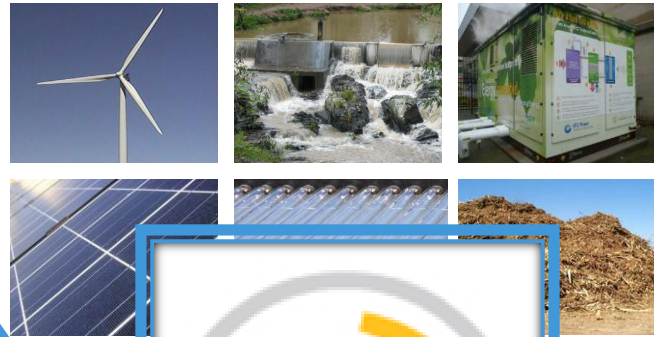
Leverage  
capital





# Strategies (cont'd)

## Strategic Planning Retreat



Increase the  
attractiveness to  
investors

Increase the  
attractiveness  
to customers

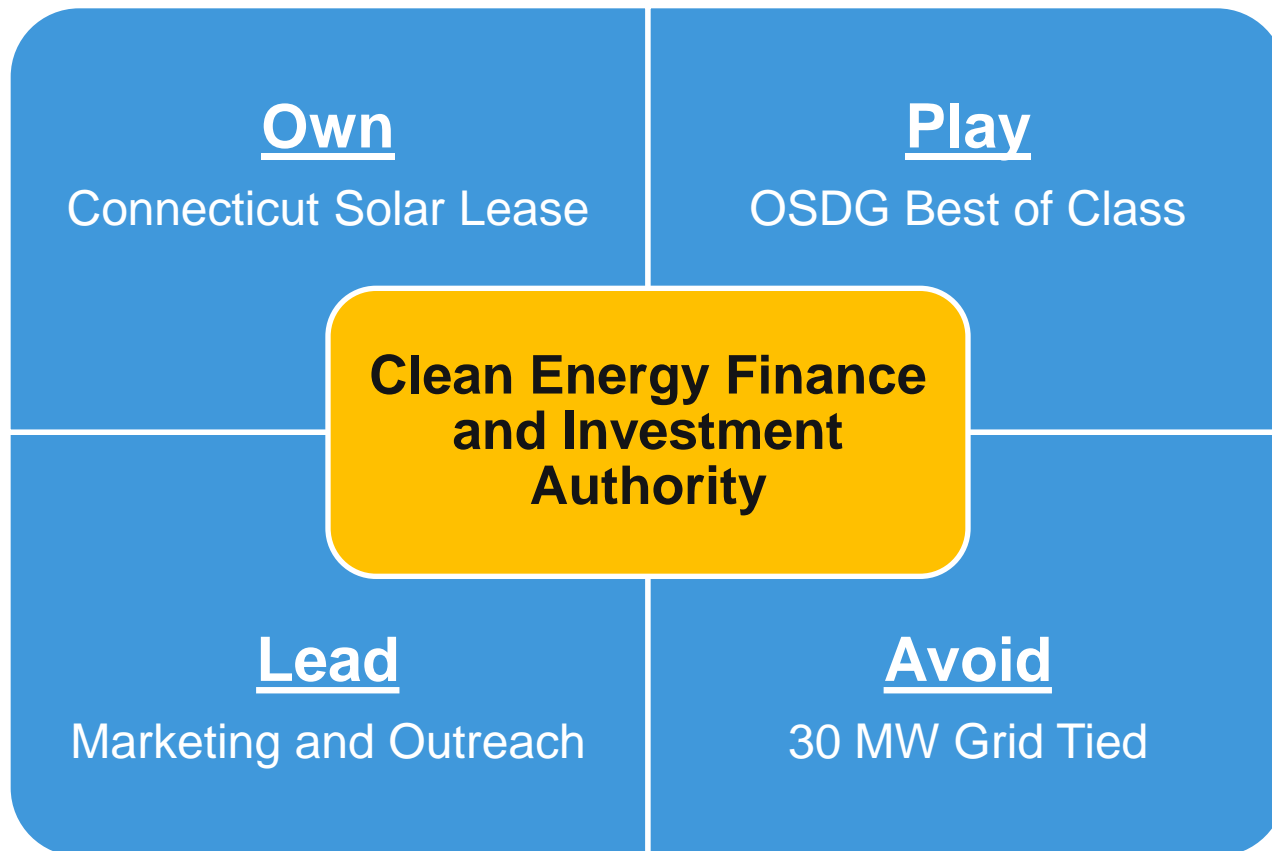


# Structure

## Strategic Planning Retreat



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# Measures of Success

## Strategic Planning Retreat



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Deploy X amount of private capital leveraged by Y amount of public funds by Year Z

Total dollars of investment in clean energy



Ratio of private capital to public funds

Amount of clean energy (i.e. energy efficiency, renewable energy, etc.) deployed



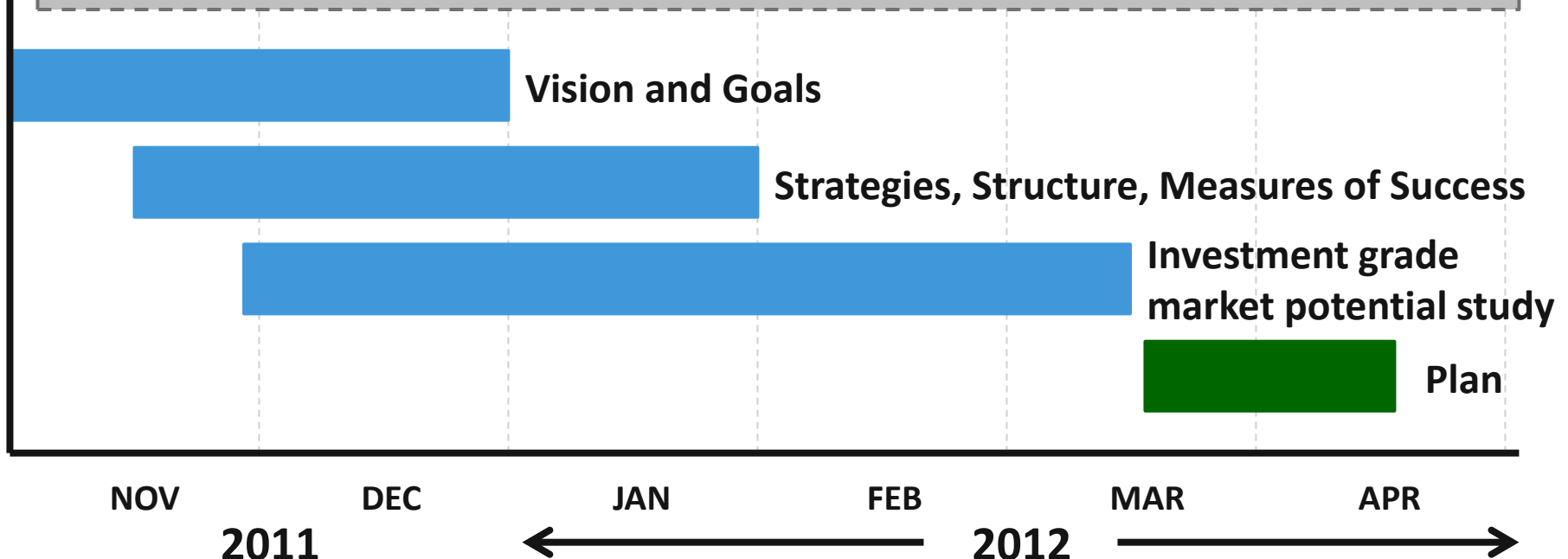
# Comprehensive Plan

## Section 99 of PA 11-80



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The authority shall, (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 the authority may determine; (B) support financing or other expenditures that promote investment in clean energy sources **in accordance with a comprehensive plan developed by it** to foster...



# Next Steps

## Near-Term Priorities



- ▶ Repurpose ARRA SEP grants
- ▶ Commission an investment grade Connecticut market potential study
- ▶ Partner with the State and the CEEF on a joint marketing campaign
- ▶ Tout program successes
- ▶ Launch solar programs
- ▶ Ensure Project 150 success

# Connecticut ARRA SEP Funds

## Overview and Timeline



- ▶ OPM Energy Office (grantee) received \$38,542,000 in funds
- ▶ August of 2009 CCEF (3<sup>rd</sup> party) provided \$20 million of the funds
  - \$4 million for solar thermal; \$5 million for geothermal (new grant programs)
  - \$3 million for solar PV; \$8 million for fuel cells (existing grant programs)
- ▶ March of 2011 DOE offers guidance on financing programs
- ▶ July 1, 2011 OPM Energy Office merged into DEEP and CCEF merged into CEFIA as a result of PA 11-80
- ▶ October 31, 2011 CEFIA reports that approximately \$4 million of funds expended to date with \$16 million to be expended by April 30, 2012 – BOD gives President authority to develop a contingency plan
- ▶ November 7, 2011 DOE and CEFIA discuss repurposing a portion of the grant programs to finance to guarantee expenditure of funds

# Repurpose ARRA SEP Grants Goals



1. **Expend the funds** prior to April 30, 2012 deadline
2. **Repurpose a portion of the funds** from grants (i.e. CCEF model) to finance (i.e. CEFIA model)
3. **Develop an innovative financing program(s)** that utilizes ARRA SEP grants as tools for scaling up clean energy investments in Connecticut

## Next Steps

### ARRA SEP funds expended before deadline



- ▶ CEFIA BOD support resolution – **November 21, 2011**
- ▶ CEFIA President to seek support from DEEP Commissioner and Deputy Commissioner of Energy – **end of November of 2011**
- ▶ CEFIA to develop plan with DEEP staff (i.e. former OPM Energy Office) to assess status and identify and determine pathway – **by December 9, 2011**
- ▶ CEFIA and DEEP staff confirm appropriateness of pathway with DOE finance advisor and grant officer – **by December 16, 2011**
- ▶ CEFIA to develop revised “Work Programs” with financing programs included – **by January 13, 2011**
- ▶ CEFIA and DEEP to process and approve revised paperwork with DOE grant officer – **by March 2, 2011**
- ▶ DEEP transfers financing program funds to CEFIA – **by March 9, 2011**





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## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #7**

MOU between CI and CEFIA

November 21, 2011

# Section 99 of Public Act 11-80

## For Administrative Purposes Only (FAPO)



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- ▶ **Section 99 of PA 11-80** – There is established the Clean Energy Finance and Investment Authority, which shall be deemed a quasi-public agency for purposes of chapters 5, 10 and 12 and *within Connecticut Innovations, Incorporated, for administrative purposes only.*
- ▶ **Article X of the CEFIA Bylaws** – Pursuant to the Statute, the Authority is within Connecticut Innovations, Incorporated, for administrative purposes only. The relationship between the Authority and Connecticut Innovations, Inc., will be governed by the Statute, Conn. Gen Stat. §4-38f as if applicable to the relationship between the Authority and Connecticut Innovations, Incorporated, and other applicable law, and *shall be memorialized in a contract for services.*

# Memorandum of Understanding Overview



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## ▶ **Administrative Support Services**

- Accounting
- Human Resources
- Information Technology

## ▶ **Supportive Infrastructure**

- Cost Sharing and Reimbursement
- Use and Occupancy of Leased Space
- Investment Functions
  - ❖ Investment Services from Connecticut Innovations
  - ❖ Technical Expertise from the Clean Energy Finance and Investment Authority



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## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #8**

Technology Innovation Program Overview

November 21, 2011

# Technology Innovation Programs Overview

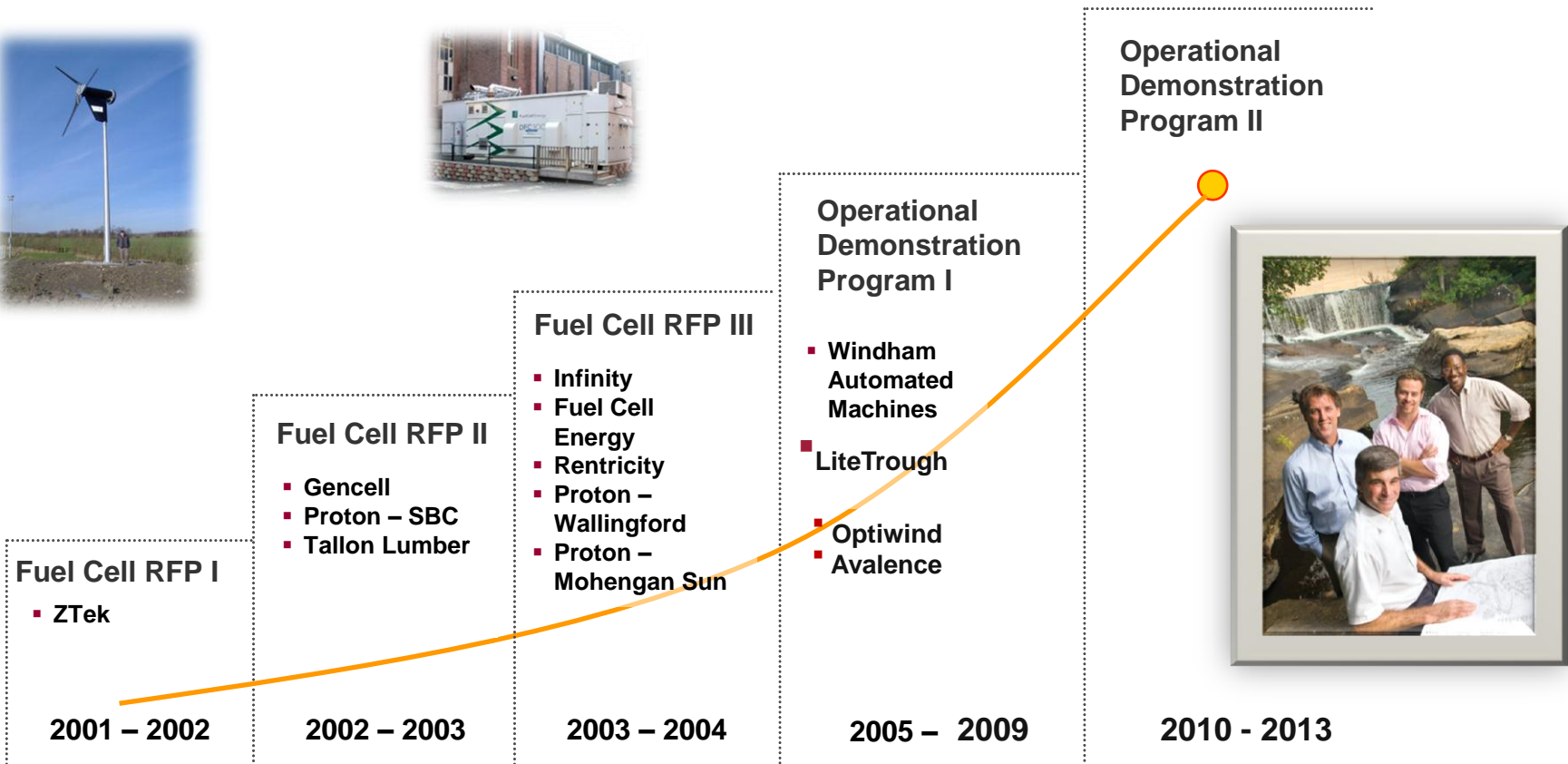


- ▶ **Section 99 of PA 11-80** anticipates that CEFIA will fund emerging technology: “For purposes of this section, ["renewable energy"] "clean energy" means.....other energy resources and **emerging technologies which have significant potential for commercialization...**”
- ▶ Technology Innovations Programs provide the means to determine which emerging technology have significant potential:
  - ▶ Op Demo program
  - ▶ Alpha Program
  - ▶ Infrastructure support and Resource assessments
    - ▶ Small Wind Turbine Demonstration Program
    - ▶ Fuel Cell monitoring Program
    - ▶ Biomass Resource assessment
    - ▶ Waste Heat Resource Assessment
    - ▶ Economic Baseline and Strategic Assessment

# Operational Demonstration Program: History



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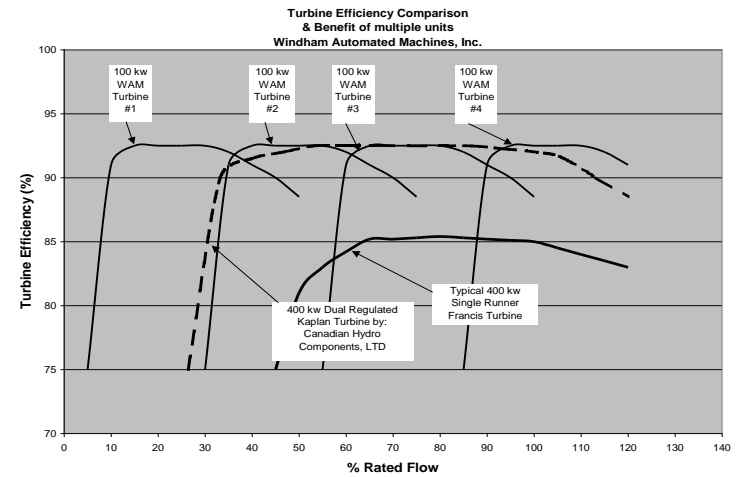
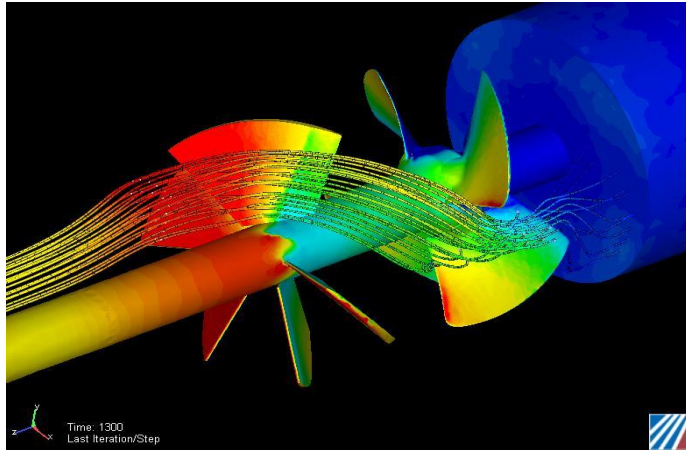


- ▶ Extraordinary Leveraging of CCEF Funds: Successful operational demonstration attracts federal/private dollars to expand and commercialize technology

✓ FCE \$600k CCEF		> \$27 Million (DOE)
✓ Infinity FC \$425k CCEF		>\$8 Million (DOD)
✓ Optiwind \$750k CCEF		B=\$15M; C=\$40M(12/11) (CRV, CI, DECD, BRAZIL)

- ▶ Funds are used to maintain or increase high-tech green jobs in CT

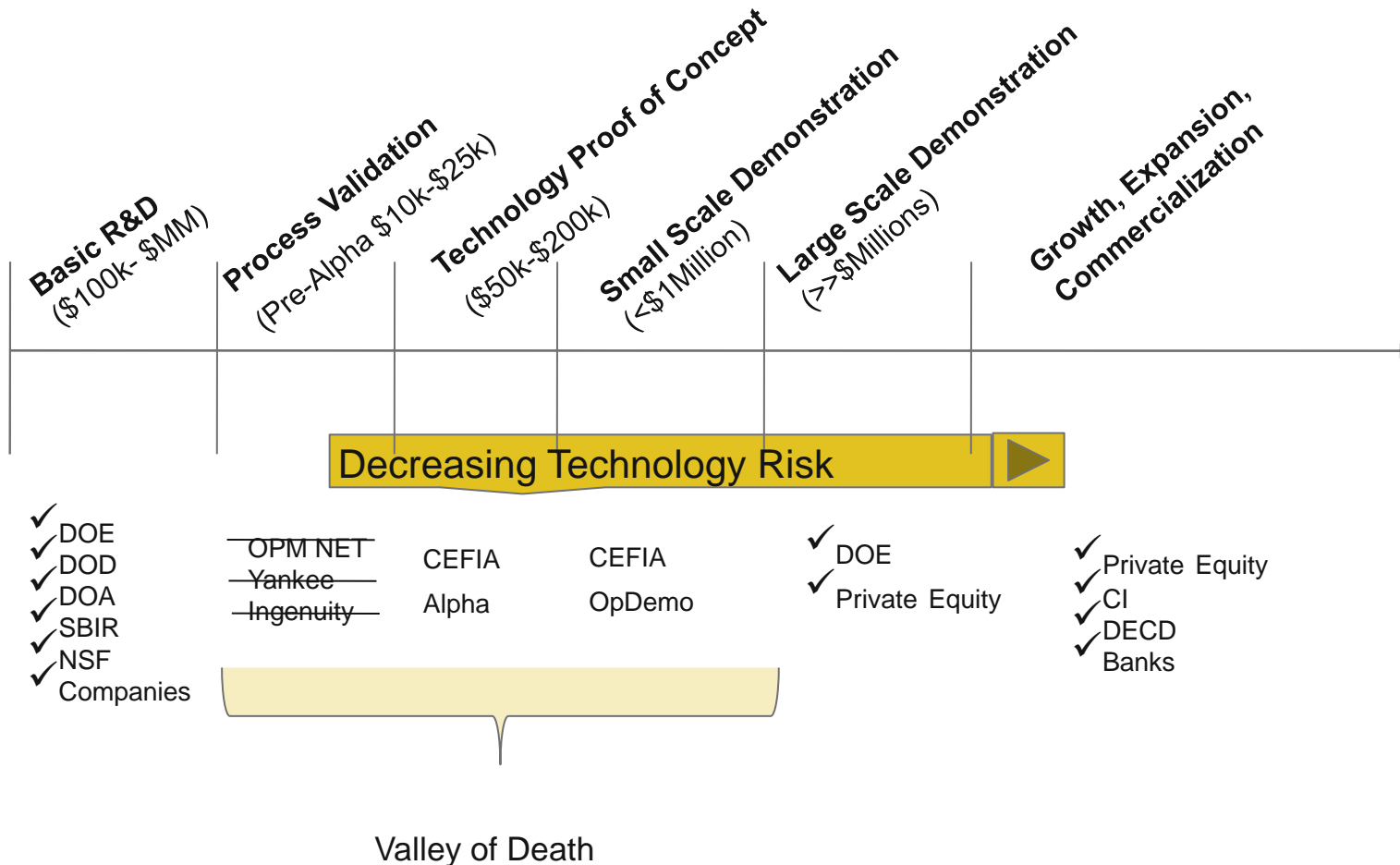
# Op Demo Spotlight: Mechasys Small Modular Hydro





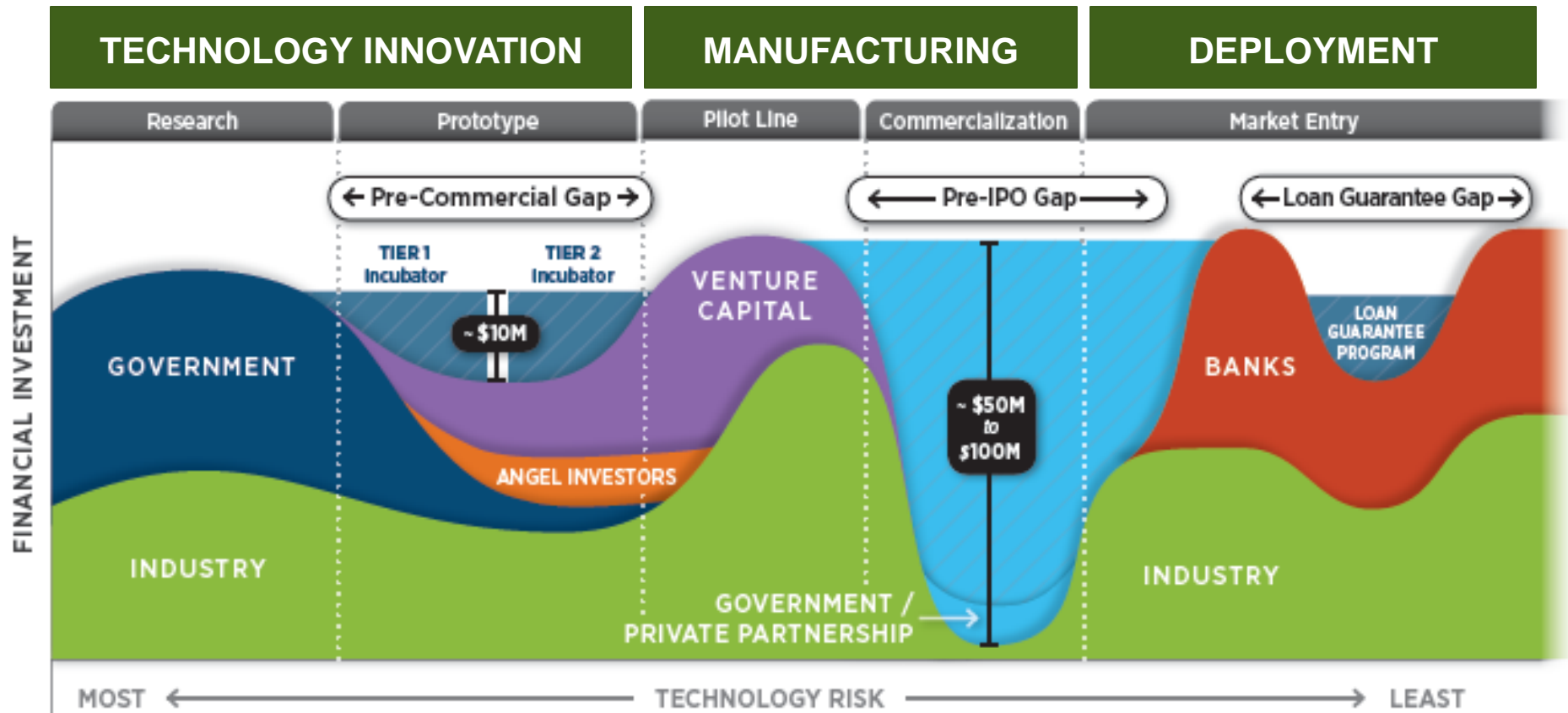
# Financing Technology Innovation

## Integral to the Entrepreneurial Ecosystem



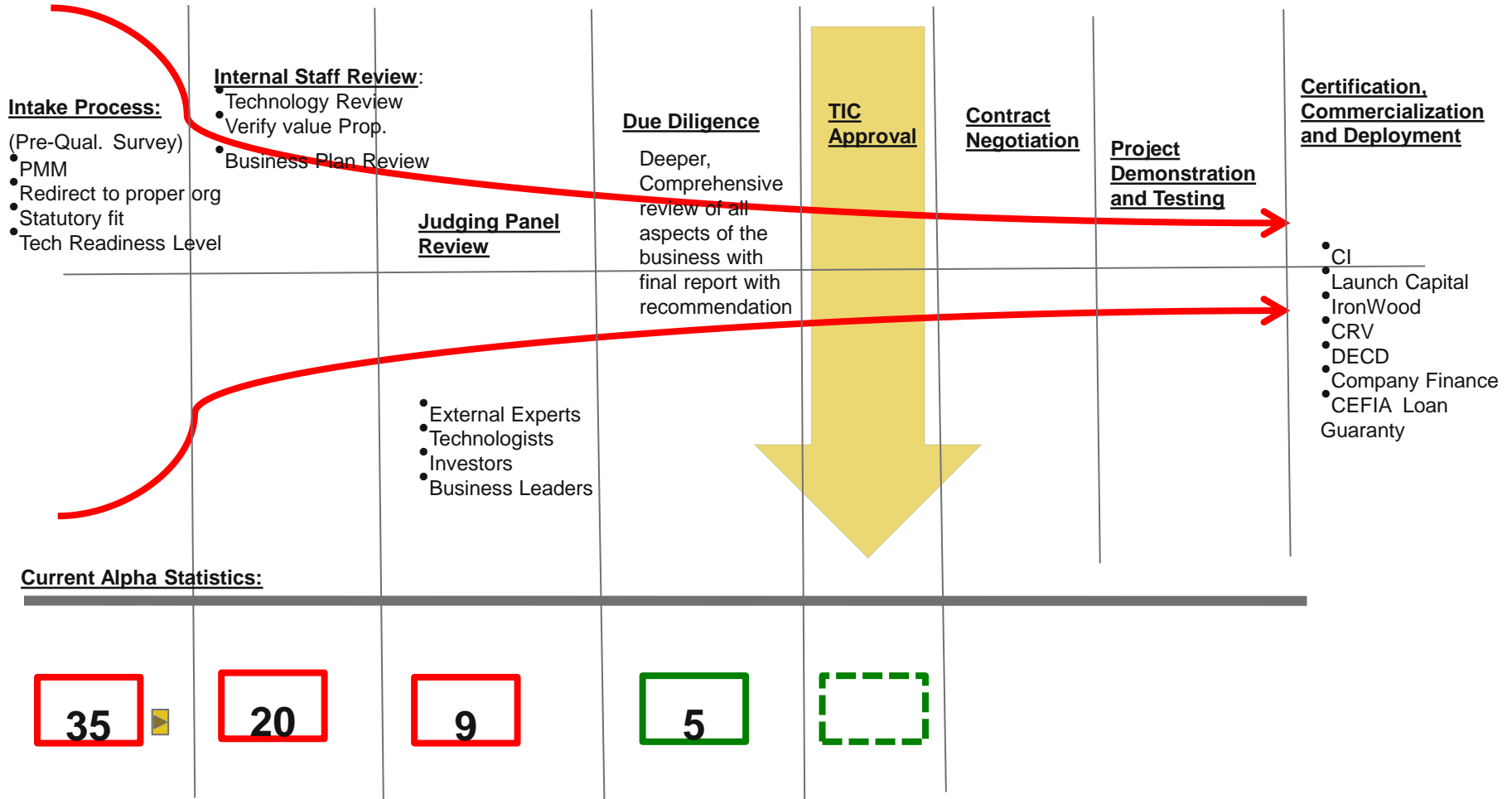
# Clean Energy Valleys of Death

## Where does CEFIA provide value?



**Are we involved in technology innovation? And/or manufacturing? And/or Deployment?**

# Rigorous Evaluation = Risk Mitigation



# Technology Innovation Programs Inquiry/Prospect Data 2010-2011



- ▶ **152 total inquiries/prospects tracked in 2010 and 2011 not including 35 Alpha and 13 Op Demo Program surveys/prospects not already counted, bringing the overall total to 200**

Year, Quarter	# Inquiries/Prospects	# Inquiries/Prospects
2010, Q1	3	56 in year 2010
2010, Q2	12	
2010, Q3	15	
2010, Q4	26	
2011, Q1	18	96 in year 2011
2011, Q2	52	
2011, Q3	9	
2011, Q4	17	
<b>Total</b>	<b>152</b>	<b>152</b>

- ▶ 56 inquiries/prospects tracked in 2010, and 96 tracked in 2011, reflecting a 71% increase
- ▶ Adding in 13 Op Demo in 2010 and 35 Alpha in 2011 reflects an increase of 90% from 69 in 2010 to 131 inquiries/prospects in 2011
- ▶ Number of inquiries is higher during program funding rounds
- ▶ Numbers do not include CEFIA web inquiries and other informational inquiries

# Alpha Program Funding Structure



- ▶ Funding request may be up to \$200K, consisting of Phase 1 grant up to \$50K and a Phase 2 loan up to \$150K.
- ▶ Funding match requirement: 25% cash match for grant, one-third match for loan (up to 40% of loan match may be in-kind for CT companies).
- ▶ Non-recourse loan repayable upon commercial success or acquisition or move from Connecticut
- ▶ Company must be structured to accept an unsecured loan (for Phase 2 funding) and demonstrate coverage of any project funding gaps.
- ▶ Project funding must be used for eligible Alpha Project activities and equipment and not for other business activities.
- ▶ Product/process must have commercial potential and a competitive value proposition (i.e., it provides a solution to a commercial problem and has competitive advantages so that customers will want to purchase the product over those of competitors).
- ▶ Technology development must indicate a feasible pathway (i.e., scalability) with no critical obstacles to a commercially viable product/process.

# Alpha Program Evaluation Criteria



MINIMUM ELIGIBILITY REQUIREMENTS (See Program Guidelines section 6.1)		MEETS				
		YES	NO			
Product/process must be in an eligible technology area						
Product/process must be technically feasible (meaning that it does not violate the laws of physics)						
The Technology Readiness Level (TRL) must be 4-6, as explained in the Program Guidelines and Application Instructions						
Connecticut presence and Connecticut benefit requirements are met						
Alpha project sites are technically relevant and meet Connecticut presence and other requirements						
Funding request is at most \$200,000, company can accept unsecured loan, meet required funding matches and cover funding gaps						
Funding will be used for approved Alpha Project activities and equipment and not other business activities						
PROJECT EVALUATION CRITERIA (See Program Guidelines section 8.2)		Criteria Importance	MEASURE			
			0	1	3	5
<b>QUALITY OF BUSINESS OPPORTUNITY</b>		<b>45%</b>				
<b>Size of Market Opportunity -- total addressable market</b> (for specific product sold, not entire value chain)		<b>10.0%</b>	< \$1 Million	>\$1 Million	> \$100 Million	>\$1 Billion
<b>Strength of Competitive Advantages/ Value Proposition</b>		<b>20.0%</b>	none	low	medium	high
<b>Strength of Business Model/ Business Economics</b>		<b>7.5%</b>	weak	low	medium	high
<b>Time to Market</b>		<b>7.5%</b>	> 9 years	7-9 yrs	3 -6 yrs	< 3 yrs
<b>CONNECTICUT BENEFIT/ STRATEGIC FIT</b>		<b>35%</b>				
<b>Strength of Connecticut Benefits</b>		<b>15.0%</b>				
Job creation potential		6.0%	0-10 FTE's within 3 yrs	10-49 FTE's within 3 yrs	50-100 FTE's within 3 yrs	> 100 FTE's within 3 yrs
Clean energy cost reduction (Impact of individual product * total projected market penetration in CT)		4.0%	no	low	medium	high
Environmental benefits		3.0%	no	low	medium	high
Energy security		2.0%	no	low	medium	high
<b>Connecticut Strategic Fit and Leveraging</b>		<b>20.0%</b>				
Ranked position among CCEF technology investment priorities (see Appendix B of Alpha Program Guidelines)		7.5%	not in list	Tier 3	Tier 2	Tier 1
Non-CCEF funds leveraged (e.g., federal funding, venture capital and customer/strategic partner contribution)		10.0%	none	< \$1 Million	\$1-10 Million	> \$10 Million
Independence from public subsidies or incentives (e.g., federal and state tax incentives and rebates)		2.5%	more than 5 yrs	none within 2-5 yrs	none within 1 year	none required
<b>TEAM EXECUTION STRENGTH</b>		<b>20%</b>				
<b>Quality of Team (ability to execute Alpha Project, leverage industry expertise and partners, identify leadership gaps)</b>		<b>10.0%</b>	inadequate	some deficiencies	sufficient	highly capable
<b>Quality, Completeness and Relevance of Alpha Project Plan (to advancing a product towards commercialization)</b>		<b>10.0%</b>	inadequate	some deficiencies	sufficient	highly adequate

# Alpha Program Finalists



- ▶ **Anchor Science** – Novel nanocarbon materials for thermal management of mobile computing, light-electric energy conversion, semiconductor, and other products and processes.
- ▶ **Apollo Solar** – Inverter with battery back-up option for solar photovoltaic systems and with smart grid functionality.
- ▶ **Scaled Liquid Systems** – Highly efficient and cost-effective liquid cooling solution for computer data server market.
- ▶ **Seldera** – Energy monitoring and management technology enables reduction in commercial building energy use and cost.
- ▶ **Sustainable Innovations** – Flow battery based on PEM fuel cell technology for grid-scale energy storage application.



- ▶ **Seldera** – Energy monitoring and management technology enables reduction in commercial building energy use and cost (commercial buildings account for 35% of total U.S. electricity consumption).
  - ▶ Co-founder Andreas Savvides, Professor of Electrical Engineering and Computer Science, Yale University
  - ▶ Yale Climate and Energy Institute Conference Poster Session
  - ▶ CTech technology incubator company
  - ▶ Alpha Program due diligence being performed by Ray Necci, former President and COO of CL&P
  - ▶ Other investors are very interested and are conducting due diligence
  - ▶ CEFIA Alpha Project would fund deployment and testing of technology at commercial building(s) in Connecticut



# Technology Innovation Program

## Next Steps



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- ▶ Form the Technology Innovation Committee
- ▶ Identify Committee Chair (or Co-Chairs) and Members
- ▶ Establish a quarterly meeting schedule for the Committee for 2012



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# **Technology Innovation Programs**

Alpha Program Update

Technology Innovation Committee

**Keith Frame**  
**Director, Technology Innovations**

**November 21, 2011**

# Technology Readiness Levels

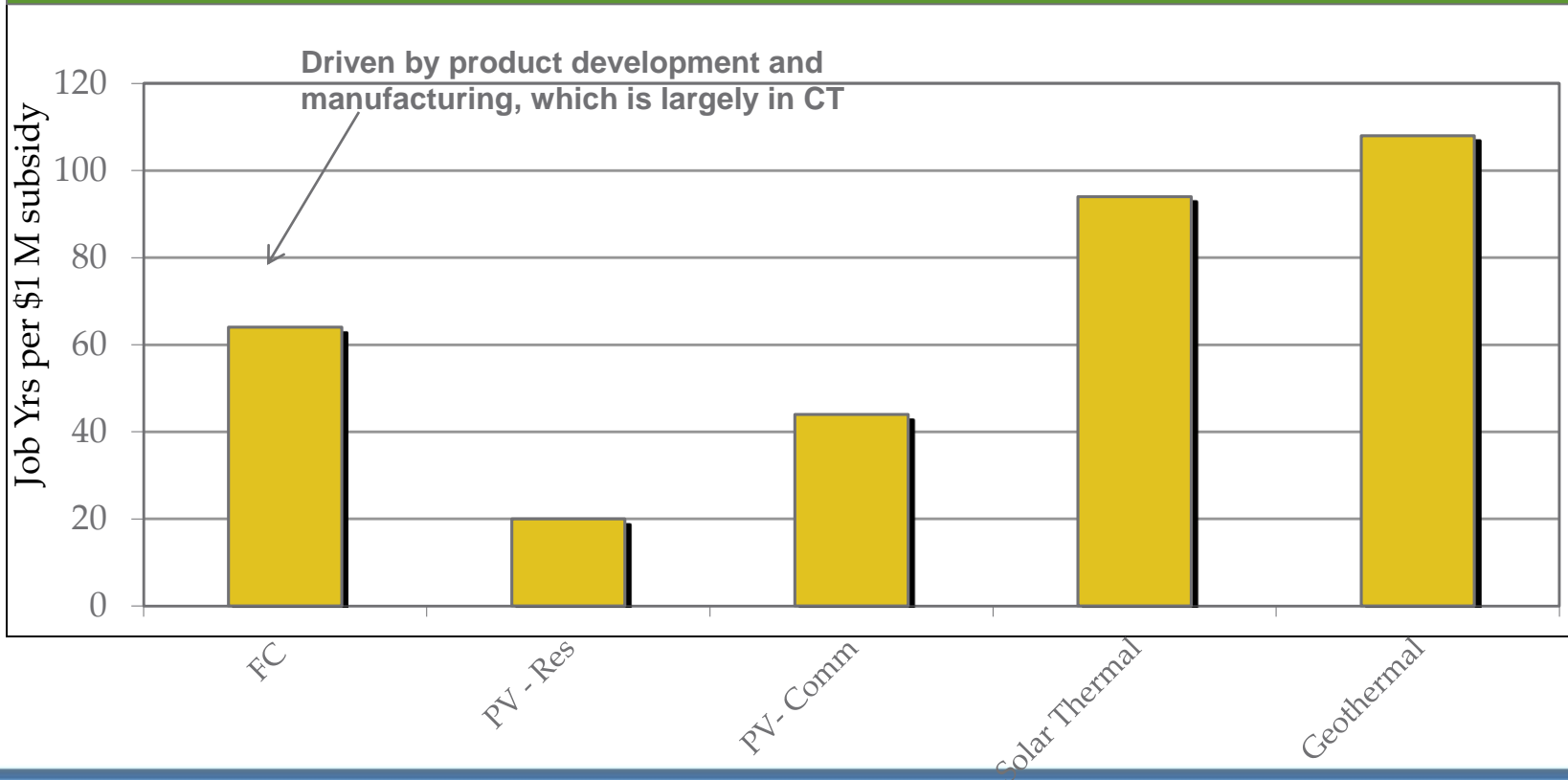
Technology Readiness Level	Description
1. Basic principles observed and reported	▶ Lowest level of technology readiness. Scientific research begins to be translated into applied R&D. Examples include literature studies.
2. Technology concept and/or application formulated	▶ Invention begins based on observation of basic principles. Application is speculative with no proof or detailed analysis.
3. Analytical and experimental critical function and/or characteristic proof of concept	▶ Active R&D is initiated, including analytical and lab studies to validate predictions of separate elements of technology. Examples include components not yet integrated or representative.
4. Component validation in a laboratory environment	▶ Basic technological components are integrated to establish the pieces that will work together (low fidelity). Examples are lab hardware.
5. Component validation in a relevant environment	▶ The basic technology components are integrated with reasonably realistic supporting elements to allow testing in simulated environments. Examples include "high fidelity" integrated lab components.
6. System/subsystem model or prototype demonstration in a relevant environment	▶ Representative model or prototype system that has been tested in a relevant environment. Examples include testing in a "high fidelity" lab environment or in simulated operational environment.
7. System prototype demonstration in an operational environment	▶ Prototype near or at planned operational system. Requires demonstration of an actual system in an operational environment.
8. Actual system completed and "field qualified" through test and demonstration	▶ Technology has been proven in its final form and under expected conditions, representing the end of true system development. Examples include test and evaluation to meet system design specs.
9. Actual system "field proven" through successful operations	▶ Actual application of the technology in its final form and under true mission or field conditions. Represents the end of system fine tuning.

# Towards an Improved Sustainable Finance Model – Economic Baseline Study



Technologies and value chain segments that are labor and skill intensive, create more well-paid jobs: research and development, non-commodity manufacturing, installation, operations and maintenance, corporate management and administration, etc.

## Job Yrs Created per \$1 M Subsidy in Connecticut



# New Technology Investment Strategy

## Resulting Priority Investment Areas



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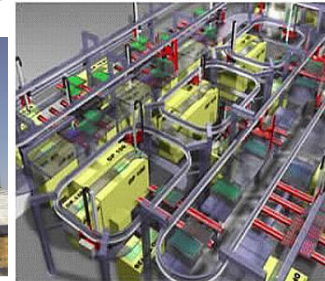
### High Efficiency Building Systems



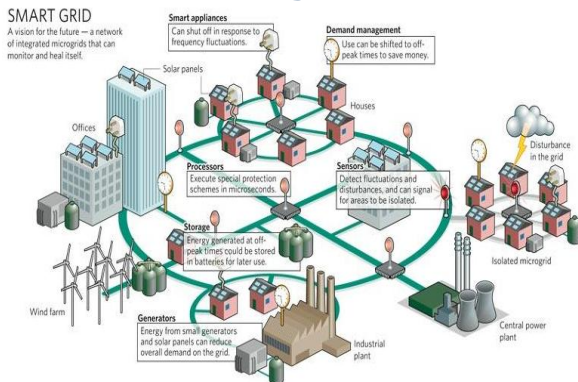
### Distributed Clean Energy Systems



### Industrial Energy Efficiency/Management



### Utility Power Generation & Management



### Renewable Fuels Production





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## **Board of Directors of the Clean Energy Finance and Investment Authority**

### **Agenda Item #9**

Human Resources: General Counsel Search

November 21, 2011



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## **Board of Directors of the Clean Energy Finance and Investment Authority**

**Agenda Item #10**

Adjourn

November 21, 2011

**CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**  
**Board of Directors**  
**Draft Minutes – Special Meeting**  
**Monday, October 31, 2011**

A regular meeting of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “Authority”)** was held on October 31, 2011, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order**: Catherine Smith, Chairperson of the Authority, called the meeting to order at 11:012 a.m. Board members participating: Mun Choi; Mark Cirilli; Daniel Esty, Commissioner of the Department of Energy and Environmental Protection; Norma Glover; Reed Hundt; Jonathan Harris, representing Denise Nappier, State Treasurer; John Olsen; Matthew Ranelli; and Catherine Smith, Commissioner of the Department of Economic and Community Development.

Members Absent: Patricia Wrice.

Staff Attending: George Bellas, Christin Cifaldi, Bryan Garcia, David Goldberg, Dale Hedman, Dave Ljungquist, Shelly Mondo, and Bob Wall.

Others Attending: Donald Kirshbaum, State Treasurer’s Office, Jonathan Schrag and Alex Kragie, Department of Energy and Environmental Protection, Scott Murphy, Shipman & Goodwin.

2. **Public Comments**: There were no public comments.

3. **Approval of Meeting Minutes for September 29, 2011**:

Ms. Smith asked the Board to consider the minutes from the September 29, 2011 Board 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 September 29, 2011 meeting as presented.**

4. **President’s Report**:

Mr. Garcia mentioned that Mr. Hundt was administered the oath of office as a member of the CEFIA Board several weeks ago. The only remaining member to be administered the oath of office is Ms. Wrice.

Mr. Garcia noted that the draft Operating Procedures authorized by the Board for public comment purposes was published in the Connecticut Law Journal on October 25. The draft Operating Procedures are subject to a 30-day public comment period and will be presented to the Board for consideration at the December Board meeting.



Mr. Garcia stated that the CI employees designated to CEFIA were transferred to CEFIA on October 7, 2011. He mentioned that he is currently working with Mr. Bellas and Mr. Longo to finalize the contract for services between CI and CEFIA. Mr. Garcia stated that CEFIA has sent professional contractors (i.e. legal services, auditing services, etc.) a notice indicating that the contracts will be extended through the end of the fiscal year. In the spring, CEFIA will issue a Request for Proposals for such services for a contract period not to exceed three years.

Mr. Garcia reported on three vacant positions have or will be advertised. He noted that over 50 applications were received for the general counsel position. Telephone interviews were conducted with 15 applicants, and face to face interviews were held with 7 applicants. The list will be narrowed to 4 finalists, and it is expected that the position will be filled in December. The Executive Vice President and Chief Investment Officer position was advertised several weeks ago. Notice of the position was advertised in the Hartford Courant, Career Builders and on the website of Environmental Finance. The Board was encouraged to spread the word on this position to help increase the volume of candidates. Mr. Garcia reported that the position vacancy for the Chief of Staff was revised and will be advertised soon.

Mr. Garcia introduced Jessica Bailey, Program Officer with the Rockefeller Brothers Fund. He noted that the passage of Public Act 11-80 increased interest in CEFIA from nonprofits and foundations that have offered pro-bono services. Mr. Garcia mentioned that Ms. Bailey has offered assistance and will be helping CEFIA with its strategic planning efforts and other activities.

Mr. Garcia reported on iMeet, an online video meeting platform that allows people to meet face-to-face through a personal computer, tablet or smart phone. He thanked Mr. Casparino, Mr. Wall and Mr. Murphy for their efforts with putting this in place. Mr. Garcia stated that with this tool, productivity can be increased and travel time reduced. He mentioned that iMeet will be used internally initially and eventually for business use as well. Ms. Smith encouraged the Board to meet in person when possible. She noted, however, that iMeet will be a great tool to use when traveling or when Board members cannot meet in person.

## **5. Legislative Update:**

Ms. Smith provided an update on legislation passed during the special session that was devoted to jobs and bringing Jackson Laboratories to Connecticut. She summarized that not everything for clean energy made it into final legislation. Ms. Smith emphasized the need to provide the legislators with education to help improve the prospects for future collaboration on clean energy initiatives in the state. Ms. Smith stated that the jobs bill focuses on small businesses and innovation. She mentioned that CI will be receiving \$25,000,000 annually for the next five years. Ms. Smith indicated that there will be funding available to help stimulate jobs. Funding will be provided for bridge repair work, programs to replace boilers and other energy efficiency operations for not-

for-profits and some housing authorities. Ms. Smith indicated that there are a number of items in the legislation for both short-term and long-term workforce development and incentives to retain talents in the State of Connecticut. In response to a question, Ms. Smith indicated that language about the Property Assessed Clean Energy (“PACE”) Program did not get included. She noted the need to address concerns expressed and provide education on the PACE program far in advance of the next regular legislative session. Mr. Esty indicated the need for outreach as well. He stated that it may also be helpful to obtain legal opinions from other states to help mitigate some of the concerns and risks raised by the banking community.

Ms. Smith noted that new legislation also includes a sales tax reduction for the purchase of local fuel cells.

## **6. Approval of FY2011 Draft CCEF Audited Financial Statements**

Mr. Garcia noted that the Audit Committee was not able to meet this morning, so it is not able to make a recommendation on the FY2011 Draft CCEF Audited Financial Statements. The Audit Committee meeting will be rescheduled to meet some time before the November Board meeting. Any questions or comments on the draft fiscal year 2011 CCEF audited financial statements should be directed to Mr. Bellas or Mr. Garcia.

## **7. American Recovery and Reinvestment Act Update**

Mr. Hedman stated that the American Recovery and Reinvestment Act (“ARRA”) funding was provided by the federal government “to preserve and create jobs and promote economic recovery in the near term and to invest in infrastructure that will provide long-term economic benefits.” The State of Connecticut through the Office of Policy and Management received approximately \$38,500,000 of the federal ARRA funds of which \$20,000,000 was allocated to CCEF. Mr. Hedman indicated that from the \$20,000,000, \$5,000,000 was allocated to geothermal, \$4,000,000 to solar thermal, \$3,000,000 to solar photovoltaic and \$8,000,000 to fuel cells. He stated that both the solar thermal and geothermal programs were newly created programs as a result of the ARRA funding.

Ms. Cifaldi provided an update on the solar PV program. She noted that close to all of the \$3,000,000 allocated for solar PV program will be spent on 10 projects. Approximately \$176,000 will be left over, and it is anticipated that a portion of that will be allocated to the solar thermal program. The remaining portion of the \$176,000 is being held for administrative costs for such things as inspection fees and higher than anticipated wages for the projects that were approved. Ms. Cifaldi explained that staff has asked for clarification on wages for solar installers from the U.S. Department of Energy (“DOE”) and should have an answer within the next two weeks. In response to a question, Ms. Cifaldi explained that if the funds are not needed, they could be reallocated to the solar thermal or geothermal programs as needed. The Board emphasized the need to ensure that the funds are utilized and not returned. Staff was

asked to determine within the next 30 days whether the funding is needed to pay higher than anticipated wages or for anything else and develop a precise plan on how the funds will be spent. Noting that he would be at the DOE in Washington next week, Mr. Esty offered his assistance with obtaining any unanswered questions. A concern was expressed with installers not being able to get on CEFIA's list of qualified solar installers. Ms. Cifaldi clarified that CEFIA has a list of qualified residential installers, but there is no list for commercial installers. She will meet with Mr. Olsen to discuss some of his concerns in this regard.

Ms. Cifaldi explained that one of the ten solar PV projects has changed since last reported to the CCEF Board. She mentioned that the Molodich Farms project that was approved in September 2010 has withdrawn its application, and Leon Tennis, a 53.94 kW<sub>AC</sub> PV project in Cos Cob with a grant of \$179,600, has been substituted.

Ms. Cifaldi stated that staff is confident that all of the solar PV projects will be completed and producing energy by the April 30 deadline. Some concern was expressed that the estimated project completion dates are too close to the deadline. The Board asked staff to request regular updates from the installers to ensure that the projects will be completed and producing energy before the deadline. In response to a question, Mr. Hedman stated that Financial Assistance Agreements are structured so that there is no liability to CEFIA in the event the project owners miss deadlines.

Mr. Ljungquist provided an update on the solar thermal program. He noted that there is approximately \$80,000 more requests than funding allocated for solar thermal projects. Mr. Ljungquist stated that staff does not anticipate that the full amount of administrative funds for solar thermal will be utilized and can be used to fund all of the projects in the pipeline. He indicated that the program is still open, and CEFIA is still receiving applications. Over the last several weeks, CEFIA received about 20 additional applications for residential solar thermal projects. In response to a question, Mr. Ljungquist stated that it is anticipated that once the ARRA funding has been depleted, CEFIA will continue to fund a solar thermal program. He noted that solar thermal projects can be completed in a short time frame. However, CEFIA has been experiencing a slight delay with getting SHPO approval. Ms. Smith requested that staff provide her with a memorandum outlining the issues so she can ensure more streamlined communications and that approvals are provided within the agreed upon time frame.

Mr. Ljungquist reported on the geothermal program. Based on the projects in the current pipeline, he estimated that approximately \$200,000 remains unallocated and available for geothermal projects. Staff will keep the program open until CEFIA receives enough applications to complete its goal under the program. In response to a question, Mr. Ljungquist stated that the reallocation of the funds would require approval from the Office of Policy and Management. It was noted that the turnover time for most of the commercial programs is too long, and a suggestion was made to reallocate unallocated funds to the residential solar thermal program. A suggestion was also made to look at some of the smaller state building sheds or maintenance facilities for geothermal

projects. Mr. Ljungquist stated that it is unlikely that a decision can be made by any large institution, hospital, college or the state within the required timeframe. There was general agreement that the remaining funds should be used for residential geothermal and solar thermal projects.

A discussion ensued on marketing efforts to get funding out. Suggestions were made to market the programs to all contractors and the consumers directly. Mr. Garcia was directed to ensure that the ARRA funding is spent and to develop a plan in the event the funding cannot be spent as originally allocated. There was general agreement that the programs should be oversubscribed rather than there being a risk of losing any funding.

There was a discussion about CEFIA's funding strategies in general. The Board discussed several options: 1) having a large pot of funds which gives customers choices and flexibility about renewable energy choices; and 2) having specific pots of funds for specific programs. There was general agreement that this issue and marketing strategies should be discussed further at the Board retreat scheduled for November 7 and 8. Further discussions should include how to be more mainstreamed, generate more competition, and provide more opportunities while recognizing the need for some energy advisors for customers.

Mr. Hedman reported on the fuel cell projects. He noted that six fuel cell projects have been approved, and five are moving forward. Mr. Hedman explained that the Weston Middle School 400 kW fuel cell project has withdrawn, leaving an incentive gap of approximately \$1,000,000. Mr. Hedman stated that UTC Power has submitted an application for a 400 kW fuel cell project at Mt. Sinai Hospital in Bloomfield, and staff recommends replacing this project for the Weston Middle School project that has withdrawn. Staff would like to close on the project as soon as possible to ensure that the ARRA funds allocated for fuel cells get utilized. Mr. Hedman discussed the proposed resolution that authorizes the redeployment of the funds approved for the Weston Middle School fuel cell project to the Mt. Sinai Hospital project. He noted that UTC Power is aware of the time constraints associated with the funding. The Board discussed the need for staff to develop a contingency plan in the event any of the fuel cell projects do not move forward and/or any of the projects will not comply with the required time constraints.

The Board discussed the specifics of the resolution, and there was consensus to modify the resolution so that the President of CEFIA can identify and further redeploy one or more other unfunded projects that can be completed and placed in service no later than April 30, 2012 as long as it meets prudent business criteria and employs the standard financial assistance agreement, without requiring further CEFIA Board consideration. Mr. Garcia was asked to prepare a backup plan for the next Board meeting in the event one or more of the fuel cell projects does not move forward. A suggestion was made to develop a pipeline of projects for each of the categories.

**Upon a motion made by Mr. Ranelli, seconded by Ms. Glover, the Board members voted unanimously in favor of adopting the following resolution authorizing the substitution of the Mt. Sinai Hospital, Bloomfield 400 kW fuel cell project for the previously approved Weston Middle School 400 kW fuel cell project:**

**Resolution Authorizing the Substitution of  
Fuel Cell Project Mt. Sinai Hospital, Bloomfield**

**WHEREAS, CEFIA has been notified that the Town of Weston has decided not to proceed with the development of the 400 kW fuel cell project proposed for the Weston Middle School site, which was approved by the CCEF Projects Committee on September 16, 2010 for a grant of ARRA funds in an amount not to exceed One Million Dollars (\$1,000,000); and**

**WHEREAS, the UTC Power division of United Technologies Corporation (“UTC Power”) has submitted an application for a 400 kW fuel cell system to be located at the Mt. Sinai Hospital, 500 Blue Hills Avenue (the “Mt. Sinai Project”), which UTC Power has represented can be completed and brought on line by the ARRA project completion deadline of April 30, 2012, and UTC Power has indicated that it is willing to commit to project completion by April 30, 2012 as a definitive condition and requirement of a Financial Assistance Agreement with CEFIA; and**

**WHEREAS, if such a Financial Assistance Agreement is not successfully negotiated between CEFIA and UTC no later than the November 21, 2011, CEFIA staff has recommended that the available ARRA funds be redeployed to one or more other unfunded projects employing other technologies that can be completed and placed in service by the ARRA deadline; and**

**WHEREAS, given the deadline for ARRA-funded projects and the related risk of loss of available ARRA funding if eligible projects are not approved in an expedited manner, the CEFIA Board wishes to empower the President of CEFIA to take certain actions to assure the deployment of available ARRA funding for eligible projects able to meet the April 30, 2012 ARRA completion deadline.**

**NOW, THEREFORE, BE IT:**

**RESOLVED, that upon receipt from the Town of Weston of written confirmation that it does not intend to proceed with the Weston Middle School fuel cell project, the One Million Dollar (\$1,000,000) in available ARRA funding previously earmarked for such project be redeployed and made available for funding for the Mt. Sinai Project, provided that a satisfactory Financial Assistance Agreement among CEFIA, UTC Power and Mt. Sinai Hospital committing to a**

**project completion date no later than April 30, 2012 is negotiated and entered into no later than November 21, 2011.**

**RESOLVED, that if for any reason it appears that such a Financial Assistance Agreement will not be successfully negotiated and entered into by November 21, 2011, then the President of CEFIA is authorized to identify one or more other unfunded projects employing other technologies that are eligible for ARRA funding and that can be completed and placed in service no later than April 30, 2012, and propose a further redevelopment of available ARRA funds to such project or projects as long as the project or projects meet prudent business criteria.**

#### **8. Comprehensive Planning Process:**

Mr. Garcia discussed the Strategic Planning Retreat which will be held on November 7 and 8, 2011 at the Pocantico Conference Center in Tarrytown, New York. He reviewed the current resources and programs and discussed some of the key sections of Public Act 11-80 that impact CEFIA. He asked for input from the Board on areas the Board wants to see CEFIA invest. Mr. Garcia noted that feedback will help to reshape the agenda for the Strategic Planning Retreat. Mr. Garcia summarized the "Green Storm Session" held on October 14 with a group of clean energy experts and advisors to provide advice, guidance and insight relating to the future strategy and activities of CEFIA. It was noted that the group believes that CEFIA needs to define certain core issues more clearly, including the financial model most appropriate for CEFIA to pursue. A further discussion ensued on this issue.

A Suggestion was made to focus on one main priority. A discussion ensued on whether CEFIA has the skill sets to be more like a bank or a venture fund. The Board discussed some of the differences between CI and CEFIA and the importance of not recreating something already in place with another agency. The Board discussed the other quasi-public agencies and noted the importance of mapping what each quasi-public agency can offer. The Board was asked for guidance with the structure for CEFIA to adopt that would most effectively pursue its vision and purpose. After discussing some of the differences between creation and deployment, a suggestion was made for CEFIA to concentrate on the deployment of clean energy and to leave venture capital investing to CI. There was general agreement that CEFIA should be organized as a form of bank rather than a venture fund which should be done by CI with technical assistance provided by CEFIA as needed. It was noted that it may be helpful to have more CEFIA/CI Board and/or Committee overlap. A suggestion was made to involve UCONN and other universities and corporate R&D programs more by asking them to assist with testing new technology. CEFIA's role will be to help position Connecticut as a leadership state in clean technology by building a supportive infrastructure.

Mr. Garcia talked about establishing specific focused goals. He noted the need to identify the market gaps and dislocations that CEFIA could solve. Mr. Garcia stated that one of the governor's goals is for Connecticut to become the most energy efficient state

in the country. It was noted that the focus should also be on bringing down the costs of energy in the state – cleaner and cheaper. A discussion ensued on in-state generation versus out-of-state generation and how to determine the appropriate percentage of out-of-state generation to achieve lower costs. Positioning Connecticut as a leadership state on developing the clean energy economy is also a key goal for CEFIA. Mr. Garcia talked about the need to be prepared to implement the mandates of Public Act 11-80.

There was consensus that more education is needed with legislature and banking commission on energy efficiency, renewable energy and generation. Ms. Smith noted that she, Mr. Esty and Mr. Garcia will start meeting with the legislative energy committees and ranking members in November to provide information and discuss a potential legislative agenda.

A suggestion was made to schedule several follow-up meetings to discuss the issues from the retreat.

**9. Adoption of 2012 Regular Meeting Schedule of the Board of Directors:**

**Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Board members voted unanimously in favor of adopting the following Board of Director meeting dates for the 2012 calendar year:**

**Regular Quarterly Meetings:**

- **March 16, 2012**
- **June 15, 2012**
- **September 21, 2012**
- **December 21, 2012**

**Regular Meetings, if necessary:**

- **January 20, 2012**
- **February 17, 2012**
- **April 20, 2012**
- **May 18, 2012**
- **July 20, 2012**
- **August 17, 2012**
- **October 19, 2012**
- **November 16, 2012**

**10. Adjournment:** Upon a motion made by Mr. Esty, seconded by Mr. Choi, the Board members voted in favor of adjourning the October 31, 2011, meeting at 1:02 p.m.

Respectfully submitted,

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Catherine Smith, Chairperson



# STATE OF CONNECTICUT



*AUDITORS' REPORT  
CONNECTICUT INNOVATIONS, INCORPORATED  
INCLUDING  
THE CONNECTICUT CLEAN ENERGY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010*

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

September 30, 2011

**AUDITORS' REPORT  
CONNECTICUT INNOVATIONS, INCORPORATED  
INCLUDING  
THE CONNECTICUT CLEAN ENERGY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

We have examined the books, records and accounts of the Connecticut Innovations, Incorporated (Corporation), including the Connecticut Clean Energy Fund (CCEF), as provided in Section 2-90 and Section 1-122 of the General Statutes, for the fiscal year ended June 30, 2010.

**SCOPE OF AUDIT:**

This audit was primarily limited to performing tests of the Corporation's and the CCEF's compliance with certain provisions of laws, regulations, contracts and grants, including but not limited to a determination of whether the Corporation and the CCEF have complied with their written operating procedures, as required per Section 32-35, subsection (d), and Section 16-245n, subsection (e), respectively, of the General Statutes, concerning the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

We also considered the Corporation's and the CCEF's internal control over their financial operations and compliance with requirements that could have a material or significant effect on the Corporation's or the CCEF's financial operations in order to determine our auditing procedures for the purpose of evaluating the Corporation's and the CCEF's financial operations and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the

internal control over those control objectives. Our consideration of internal control included the five areas identified above.

Our audit included a review of a representative sample of the Corporation's and the CCEF's activities during the fiscal year in the five areas identified above and a review of such other areas as we considered necessary. The financial statement audits of the Corporation and the CCEF, for the fiscal year indicated above, were conducted by the Corporation's and the CCEF's independent public accountants.

This report on our examination consists of the Comments, Recommendations and Certification that follow.

## COMMENTS

### **FOREWORD:**

#### **Connecticut Innovations, Incorporated:**

Connecticut Innovations, Incorporated (Corporation) operates primarily under Chapter 581, Sections 32-32 through 32-47a of the General Statutes. Pursuant to Section 32-35 of those statutes, it is a public instrumentality and political subdivision of the state. Pursuant to Chapter 12 of the General Statutes, the Corporation is classified as a quasi-public agency subject to the requirements related to such agencies as may be found in Chapter 12. As a quasi-public agency, the Corporation's financial information is included as a component unit in the State of Connecticut's Comprehensive Annual Financial Report (CAFR).

The Corporation was established to stimulate and encourage the research and development of new technologies, businesses and products and the development and operation of science parks and incubator facilities, and to promote science, engineering, mathematics and other disciplines essential to the development of and application of technology within Connecticut.

The Corporation provides financial assistance to Connecticut businesses for the development and marketing of high-technology products, services, and processes. This assistance has been made in the form of loans, royalty agreements and equity (ownership) investments. The Corporation also funds other organizations such as Connecticut universities and technology research or application centers. The Corporation includes contingent payback provisions to those funds as a means of sharing in the royalties and other earnings from successful research projects.

The Corporation targets early stage high-technology enterprises. These include: advanced materials, aerospace, bioscience, energy and environmental systems, information technology, applied optics and microelectronics. The Corporation utilizes a number of limited partnerships and financial investments to achieve its objectives of assisting qualified organizations.

The Corporation provides several financial and technical programs to assist qualifying Connecticut companies, colleges and universities. These include:

**Connecticut Emerging Enterprises Limited Partnership (CEELP)** – CEELP is a partnership comprised of the Corporation and a major commercial bank. The program invests in initial and follow-on rounds of financings for early-stage, technology growth enterprises with significant proprietary innovations or other unique, sustainable competitive advantages.

**Eli Whitney Fund** – This program may be used for risk capital investments in emerging and established companies to stimulate their development of high technology products, processes and services. The program also provides working capital to assist companies in marketing and launching technology products, processes and services.

**Next Generation Ventures, LLC** – This joint venture between the Corporation and a major commercial insurer invests in start-up and young technology companies in Connecticut by providing them seed or early-stage financing.

**Yankee Ingenuity Technology Program** – This program seeks to support royalty based, market-driven funding for applied high technology research and development which leads to marketable products or processes with high potential to contribute to long-term, sustainable economic growth in Connecticut. The program promotes technological innovation through partnerships between Connecticut businesses and Connecticut colleges and universities. Scientists from business and academics combine their research capability and expertise to invent new products and processes.

**BioScience Facilities Fund** – This program was developed to enable the development of laboratory space in Connecticut in order to encourage the growth of biotechnology research and development companies.

**Seed Investment Fund and BioSeed Fund** – These programs were developed to address the needs of entrepreneurs by promoting and investing in early-stage Connecticut-based emerging technology and biotechnology companies.

**Pre-Seed Fund** – This program was developed to provide support and assistance to prepare high technology companies for future investments.

**Clean Tech Fund** – This program was developed to support the demand for alternative energy technologies which focus on energy conservation, environmental protection, or the elimination of harmful waste.

**Small Business Innovation Research (SBIR) Program** – The SBIR program supports Connecticut-based innovators, entrepreneurs and small businesses to commercialize their new products. The program also provides matching grants to manufacturers to design and develop innovative technologies to diversify their portfolio of products, thereby retaining and increasing sales and employment in the state. The SBIR program also assists companies to obtain federal grants through the federal SBIR program. This program was transferred to the Connecticut Innovations Inc. from the Connecticut Center for Advanced Technology (CCAT) in April 2009.

In addition, in the footnotes to its financial statements for the fiscal year ended June 30, 2010, the following organizations are identified as blended component units of the Corporation that, although legally separate entities, are in substance part of the Corporation's operations:

**Connecticut Technology Development Corporation (CTDC)** – The CTDC was established to address the need by new biotech firms for wet laboratory space in “move-in” condition. The only activities through the 2009-2010 fiscal year have been the leasing and fit-out of laboratory space expenses at 25 Science Park in New Haven. The total expenses of CTDC during the fiscal year ended June 30, 2010, were \$330,517. These amounts are included in the Corporation's financial statements.

**Connecticut Innovations Educational Foundation (CIEF)** – The Corporation's board approved the creation of the CIEF at its meeting on May 14, 2001. It is a non-stock corporation, exempt from federal income taxes. The Corporation explains that the foundation was created so that it could solicit funds from external sources to provide additional funding for certain programs. Apparently, the foundation was not successful in its fundraising efforts, and at its meeting on July 28, 2006, the board approved the dissolution of the foundation, which occurred in March 2010. The Corporation assumed responsibility over the conduct and ongoing programs of the foundation.

Organizationally, the Corporation is divided into six major areas:

- Finance and Administration – responsible for accounting, administration, finance, and information technology support for the Corporation and the Connecticut Clean Energy Fund.
- Investment Team – responsible for identifying opportunities that fall within the Corporation's scope and providing, where appropriate, capital for invention and innovation when financial aid is not available from normal commercial sources.
- External Relations – responsible for communications, marketing and media relations related to the Corporation and the Connecticut Clean Energy Fund.
- Business Development – responsible for developing and supporting business opportunities for the Corporation and its portfolio companies.
- Connecticut Clean Energy Fund operations – responsible for the operation of the Connecticut Clean Energy Fund.
- Small Business Innovation Research – responsible for helping businesses learn about the funds available to them from the Federal Small Business Innovation Research program.

**Significant State Legislation:**

Public Act 09-172, effective July 1, 2009, amended Section 32-47a of the General Statutes to address the apparent statutory conflict between Section 32-47a and Section 32-40, subsection (c) of the General Statutes. The act requires that in the preparation of CI's annual report on its financial assistance programs, gross revenues shall be reported for organizations that make the

information public in the normal course of business. For organizations that do not make the information public in the normal course of business, the gross revenue information must be provided separately, concealing the organizations' names and identities, in a manner consistent with the provisions of Section 32-40, subsection (c), of the General Statutes. The act allows the Governor and chairpersons and ranking members of the Finance, Revenue and Bonding and Commerce Committees, after a request to CI, to examine the detailed report data in confidence, including the specific revenue data for each identifiable business included in the report. The act also allows the committee chairpersons and ranking members to disclose the data to other committee members and requires that they also keep the data confidential.

**Board of Directors and Administrative Officials:**

Pursuant to Section 32-35, subsection (b), of the General Statutes, a 15-member board of directors governs the Corporation. Eight members are appointed by the Governor and four are appointed by various legislative leaders. In addition, the Commissioner of the Department of Economic and Community Development, the Commissioner of the Department of Higher Education and the Secretary of the Office of Policy and Management serve as ex-officio members. Subsection (c) of Section 32-35 provides that the chairperson of the board shall be appointed by the Governor with the advice and consent of the legislature.

The members of the Corporation's Board of Directors as of June 30, 2010, were as follows:

Appointed by the Governor:

Peter L. Cashman  
Louis N. George, Esq.  
R. Carol Muradian  
John W. Olsen  
Paul R. Pescatello, Esq.  
Rafael A. Santiago  
George W. Schiele  
Amrutur V. Srinivasan, Ph.D.

Legislative Appointments:

Alan K. Greene  
Harris L. Marcus  
Stephen Nocera  
Drew Harris

Ex-Officio:

Joan McDonald, Chairperson, Commissioner of the Department of Economic and Community Development  
Michael Cicchetti, Secretary (Designee) of the Office of Policy and Management  
Michael P. Meotti, Commissioner of the Department of Higher Education

Joan McDonald was appointed Chairperson effective May 21, 2008.

In addition, the board has set up several committees and sub-committees to expedite certain business activities of the Corporation and to maintain controls over its transactions. The Corporation has the following three standing committees: Audit, Compliance and Governance Committee; Finance, Operations and Compensation Committee; and Eli Whitney Investment Committee. The Corporation also has two advisory committees including the Eli Whitney Advisory Committee, and the Valuation Committee, which met through the audit period. There is a BioSeed Advisory Committee, which did not meet during the fiscal year under review, nor is it scheduled to meet through the end of the 2011 calendar year.

The Board appointed Peter V. Longo, the Corporation's Deputy Executive Director, to Acting Executive Director on April 30, 2007 and subsequently to the position of President and Executive Director on October 26, 2007, in which he continues to serve.

**Connecticut Clean Energy Fund:**

The Renewable Energy Investment Fund (commonly referred to as the Connecticut Clean Energy Fund) was established in July 1998 under Title 16, Section 16-245n of the General Statutes, which until October 1, 2007, required that the Corporation administer the fund. However, Public Act 07-152, effective October 1, 2007, amended said section by placing the Connecticut Clean Energy Fund (CCEF) within the Corporation for administrative purposes only.

Section 16-245n provides that, on or after January 1, 2004, the Department of Public Utility Control shall assess or cause to be assessed a charge per kilowatt-hour to each end-user of electrical service in the state. It is this assessment that provides the financing for the CCEF. Unlike the majority of the Corporation's investments, the CCEF is not limited to Connecticut businesses. Upon authorization by the CCEF board, the Corporation may use any amount in the fund for expenditures that promote investment in renewable energy sources in accordance with a comprehensive plan developed by the CCEF board to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources that serve end use customers in this state and for the further purpose of supporting operational demonstration projects for advanced technologies that reduce energy use from traditional sources. Such expenditures may include, but not be limited to, reimbursement for services provided by the Corporation including a management fee, disbursements to develop and carry out the comprehensive plan, grants, direct or equity investments, contracts or other actions which support research, development, manufacturing, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to renewable energy technologies.

The three strategic objectives of the CCEF's programs and initiatives are for Connecticut ratepayers to have access to a diverse supply of clean energy resources, to identify and promote renewable energy technologies and tools to address challenging energy issues while providing economic development opportunities, and to increase the demand for clean energy by creating model sustainable communities.



**Board of Directors and Administrative Officials:**

Pursuant to Section 16-245n of the General Statutes, as amended by Public Act 07-152, effective October 1, 2007, the Renewable Energy Investments Board (commonly referred to as the Connecticut Clean Energy Fund Board) acts on matters related to the CCEF. Section 16-245n, subsection (e), provides that the CCEF Board shall include up to 15 members with knowledge and expertise in matters related to the purpose and activities of the CCEF and shall consist of three members appointed by the Governor, six members appointed by various legislative leaders, two members appointed by the Board of Directors of Connecticut Innovations, Inc., the Consumer Counsel and the heads or designees of the Department of Emergency Management and Homeland Security, the Office of Policy and Management, and the Department of Environmental Protection. The board shall elect a chairperson biennially and shall adopt bylaws and procedures deemed necessary to carry out its functions.

The members of the CCEF Board as of June 30, 2010, were as follows:

Norma Glover, Chairperson  
Mary Healey (Consumer Counsel)  
Scott DeVico (designee – Department of Emergency Management and Homeland Security)  
John Mengacci (designee – Office of Policy and Management)  
Tracy Babbidge (designee – Department of Environmental Protection)  
Mun Y. Choi  
Kevin Hennessy  
Robert Maddox  
John Olsen  
Jerry Peters  
Matthew Ranelli  
Jessie Stratton  
Patricia Wrice

Appointed by the Board of Directors of Connecticut Innovations, Inc.:

Alan Greene  
Carol Muradian

Timothy Bowles was elected chairperson on October 1, 2007 and served until his resignation, effective September 1, 2009. Norma Glover was elected chairperson effective October 1, 2009.

In addition, the board has set up several committees and sub-committees to review and discuss issues and assist the board in making decisions related to the CCEF. The CCEF Board has the following four standing committees: Executive Committee, Finance Committee, Projects Committee, and Technology Review Committee.

Lise Dondy served as President of the CCEF throughout the audited period. She subsequently resigned, effective October 1, 2010. Dale E. Hedman was appointed the Acting President of the CCEF at a special meeting held September 8, 2010 and he continued to serve in that capacity until May 31, 2011, when Bryan Garcia was appointed President of CCEF.

**RÉSUMÉ OF OPERATIONS:**

**State Accounts:**

The State of Connecticut provided significant initial financing for the Corporation's programs through the proceeds of General Obligation Bonds. It is these bond proceeds and any net income from operations that are used to finance the Corporation's investments.

State expenditures related to the Corporation include bond fund proceeds to finance various grants and investments. They also include certain operating expenses processed through Core-CT, the state's accounting system. These transactions are processed through two state funds – a special revenue fund (Grants to Local Governments and Others) and an enterprise fund (Connecticut Innovations, Incorporated Fund).

The Grants to Local Governments and Others Fund is a special revenue fund used to process certain grant awards authorized by the State Legislature through various authorizing special acts and the action of the State Bond Commission. Bond payments are processed through Core-CT and are recorded on both the state's and the Corporation's books. The State Comptroller records state bond proceeds to finance loans and investments as expenditures, while the Corporation records them as investments and as contributed capital. During the audited period, \$402,950 of special revenue funds were used for capital improvements associated with the BioBus mobile laboratory program, as authorized under Public Act 07-7, Section 13(n) of the June Special Session.

The Connecticut Innovations, Incorporated Fund is an enterprise fund authorized by Section 32-41a of the General Statutes. That statute provides that this fund be used to carry out the purposes of the Corporation and for the repayment of state bonds when required by the State Bond Commission. Total bond fund monies authorized by Sections 32-41, 32-41b, and 32-41o, amounted to \$114,800,500 as of June 30, 2010. Core-CT is used by the Corporation for the processing of enterprise fund payroll and other operating expenses. Expenditures charged to the enterprise fund during the audited period consisted entirely of payroll costs for the Corporation and the CCEF, which were funded by cash transfers by the Corporation (see Connecticut Innovations, Incorporated section below) to the Connecticut Innovations, Inc. Fund. A summary of the Corporation's expenditures during the audited period, as compared to the previous fiscal year, follows:

	<b><u>Fiscal Year Ended June 30,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
Personal Services	\$ 4,344,360	\$ 4,058,544
Fringe Benefits	<u>2,606,267</u>	<u>2,164,290</u>
<b>Totals</b>	<b><u>\$ 6,950,627</u></b>	<b><u>\$ 6,222,834</u></b>

The increase in personal services and fringe benefits is due to an increase in salaries, the number of employees and benefit accruals. There were no state expenditures made from the enterprise fund for investment purposes.

**Connecticut Innovations, Incorporated:**

Pursuant to subsection (b) of Section 32-41a of the General Statutes, all investment income, loan repayments, and grants with payback provisions are deposited into the Corporation's operating account. The operating account is used to pay administrative expenses, including the transfers to the enterprise fund for reimbursements of personal services, fringe benefits and other administrative costs charged to the fund.

Any excess funds in the operating account are transferred to short-term investments and marketable securities, including the State Treasurer's Short Term Investment Fund (STIF), to earn investment income. It should be noted that the Corporation may be required by the Bond Commission to repay the monies advanced by the Bond Commission, including interest, under terms the Commission might find desirable and consistent with the purposes of the Corporation. As of June 30, 2010, the Bond Commission had not requested repayment of any principal or interest.

The financial position of the Corporation as of June 30, 2009 and 2010, per its audited financial statements, is presented below. The following amounts do not include the Connecticut Clean Energy Fund.

	<b>As of June 30</b>	
<b>Assets</b>	<b>2010</b>	<b>2009</b>
Current Assets:		
Cash and cash equivalents	\$ 40,077,664	\$ 39,095,080
Certificates of deposit	0	6,000,000
Marketable securities	0	0
Current portion of investments	2,589,562	3,555,080
Due from CCEF	159,816	76,309
Other assets	<u>2,523,363</u>	<u>260,688</u>
Total current assets	<u>45,350,405</u>	<u>48,987,157</u>
Non-Current Assets:		
Portfolio Investments:		
Eli Whitney Fund investments	34,177,365	29,709,614
BioScience Facilities Fund investments	3,920,987	9,189,524
Seed Fund investments	987,501	1,687,501
BioSeed Fund investments	2	189,504
Clean Tech Investments	801,250	180,000
Investment in CT Emerging Enterprises, LP	256,302	348,719
Investment in Next Generation Ventures, LLC	388,127	625,733
Other investments	<u>62,500</u>	<u>37,500</u>
Total investments	40,594,034	41,968,095
Less current portion	<u>(2,589,562)</u>	<u>(3,555,080)</u>
Investments – non-current	38,004,472	38,413,015
Capital assets, net of depreciation	<u>622,864</u>	<u>827,845</u>
Total non-current assets	<u>38,627,336</u>	<u>39,240,860</u>
<b>Total Assets</b>	<b><u>\$ 83,977,741</u></b>	<b><u>\$ 88,228,017</u></b>

**Liabilities and Net Assets**

Liabilities:

Accounts payable and accrued expenses	\$ 1,697,366	\$ 694,279
Custodial liability	30,544	159,493
Due to State of Connecticut	<u>0</u>	<u>0</u>
Total liabilities	<u>1,727,910</u>	<u>853,772</u>

Net Assets:

Invested in capital assets	622,864	827,845
Unrestricted	<u>81,626,967</u>	<u>86,546,400</u>
Total net assets	<u>82,249,831</u>	<u>87,374,245</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 83,977,741</u></b>	<b><u>\$ 88,228,017</u></b>

The Corporation makes risk capital investments of no more than six million dollars, with the approval of the Finance Committee of the Board of Directors, in high-technology applicant companies. Investments greater than six million dollars are possible, with approval of the full Board of Directors. The Corporation primarily makes investments in equity securities of emerging high-tech companies. It has substantially eliminated the use of royalty financing arrangements but continues to recover the cost and revenues of past royalty arrangements. The Corporation has nearly 70 percent of its investments in equity securities.

In the absence of readily determinable market values, investments are carried at fair value as estimated by the Valuation Committee of the Corporation, using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. As is commonplace with investments such as those held by the Corporation, and as disclosed in the Corporation's audited financial statements, due to the inherent uncertainty of valuation, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material.

The Corporation also provides loans that are generally convertible into equity to Connecticut companies to bring new high-technology products to market. Loans may be used for any business-related purpose such as hiring, marketing, research and development, inventory buildup and capital expenditures. A loan must be repaid within six years according to an arranged payment schedule.

A schedule of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2009 and 2010, follows. The information was obtained from the Corporation's audited financial statements, and does not include the Connecticut Clean Energy Fund.

	<b><u>Fiscal Year Ended June 30,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Operating Revenues:</b>		
Interest on short-term investments and cash deposits	\$ 167,324	\$ 732,823
Interest on investments	789,320	973,433
Other income	<u>920,611</u>	<u>541,369</u>
Total Revenues	<u>1,877,255</u>	<u>2,247,625</u>
<b>Operating Expenses:</b>		
Compensation and benefits	3,434,106	2,942,187
General and administrative expenses	1,503,211	1,723,310

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Grants and programs	<u>28,478</u>	<u>39,340</u>
Total Expenses	<u>4,965,795</u>	<u>4,704,837</u>
Operating Loss	<u>(3,088,540)</u>	<u>(2,457,212)</u>
<b>Non-Operating Revenues (Expenses):</b>		
Unrealized gain (loss) on investments	7,541,071	(4,469,810)
Realized gain (loss) on sale of investments	<u>(10,885,445)</u>	<u>3,000,982</u>
Total Non-Operating Revenues (Expenses)	<u>(3,344,374)</u>	<u>(1,468,828)</u>
<b>Change in Net Assets Before Capital Contributions</b>	<b>(6,432,914)</b>	<b>(3,926,040)</b>
Capital Contributions	<u>1,308,500</u>	<u>0</u>
<b>Change in Net Assets</b>	<b><u>\$ (5,124,414)</u></b>	<b><u>\$ (3,926,040)</u></b>

Total revenues decreased by \$370,370 during the 2009-2010 fiscal year. Interest on short-term investments and cash deposits decreased by \$565,499 during the 2009-2010 fiscal year due to interest rate decreases for the fiscal year. Interest earned on investments decreased by \$184,113 as a result of pay-offs and pay-downs of loans. Other income increased by \$379,242 due to the receipt of non-recurring grant income during the 2009-2010 fiscal year.

Compensation, benefits and payroll taxes increased by \$491,919 during the 2009-2010 fiscal year, primarily as a result of the transfer of the Connecticut SBIR office staff to the Corporation and an increase in the contribution to the State Employees Retirement System.

General and administrative expenses decreased by \$220,099 during the 2009-2010 fiscal year due primarily to decreases in office related expenses.

Total expenditures for grants and scholarship programs during the 2009-2010 fiscal year were \$28,478, a decrease of \$10,862 from the prior year. The decrease was largely due to a decline in funding of the scholarship program during the 2008-2009 fiscal year.

Net realized loss on investments for the year were \$10,885,445, as compared to realized gains of \$3,000,982 during the 2008-2009 fiscal year. During the 2009-2010 fiscal year, the realized losses were primarily the result of investment write-offs which were recorded as unrealized losses in previous years. The \$3,000,982 in realized gains during the 2008-2009 fiscal year resulted from the divestitures of investments.

During the 2009-2010 fiscal year, capital contributions of \$1,308,500 were received for the BioScience Facilities Fund. Capital contributions were not received during the 2008-2009 fiscal year. The capital contributions consist of state bond proceeds authorized under Public Act 01-2, Section 9(e).

The Corporation's board approved \$15,210,627 for new investments during the fiscal year ended June 30, 2010, and funded \$12,322,247, based on current and prior year approvals. The Eli Whitney Fund comprised the majority of the approved and funded amounts.

**Connecticut Clean Energy Fund:**

Section 16-245n, subsection (c), of the General Statutes provides that the CCEF may receive any amount required by law to be deposited into the CCEF and may receive any federal funds available to the state for renewable energy investments. The Corporation, upon authorization of the CCEF Board, is allowed to use CCEF monies for expenditures that promote investment in renewable energy sources in accordance with its Comprehensive Plan.

The financial position of the Connecticut Clean Energy Fund as of June 30, 2009 and 2010, as presented in its audited financial statements, follows:

	<b><u>As of June 30,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Assets</b>		
Cash and cash equivalents	\$ 54,749,142	\$ 64,952,366
Certificates of deposit	0	6,000,000
Marketable securities	0	0
Utility customer assessments receivable	2,223,292	2,491,466
RGGI auction receivable	1,187,914	1,076,659
Investments	1,348,715	1,223,718
Other assets	1,466,776	1,245,369
Solar Lease Notes	6,287,804	0
Restricted assets	<u>3,448,823</u>	<u>395,415</u>
<b>Total Assets</b>	<b><u>\$ 70,712,466</u></b>	<b><u>\$ 77,384,993</u></b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,661,838	\$ 3,255,105
Due to Fund Administrator	159,816	76,309
Deferred Revenue	<u>3,159,579</u>	<u>0</u>
<b>Total Liabilities</b>	<b><u>4,981,233</u></b>	<b><u>3,331,414</u></b>
Net Assets:		
Restricted	289,245	395,415
Unrestricted	<u>65,441,988</u>	<u>73,658,164</u>
<b>Total Net Assets</b>	<b><u>65,731,233</u></b>	<b><u>74,053,579</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 70,712,466</u></b>	<b><u>\$ 77,384,993</u></b>

Connecticut Clean Energy Fund revenues, expenditures and the changes in net assets for the fiscal years ended June 30, 2009 and 2010, are presented below. The information was taken from the Connecticut Clean Energy Fund audited financial statements for those fiscal years.

	<b><u>Fiscal Year Ended June 30,</u></b>	
	<b><u>2010</u></b>	<b><u>2009</u></b>
<b>Revenues:</b>		
Utility customer assessments	\$ 27,252,497	\$ 28,104,415
Interest on short-term investments	408,723	1,192,800
RGGI Auction Income	4,017,149	4,305,254

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Other income	<u>1,447,525</u>	<u>3,112,941</u>
<b>Total Revenues</b>	<u>33,125,894</u>	<u>36,715,410</u>
<b>Expenditures/Expenses:</b>		
Program:		
Grants	35,943,115	48,853,603
Program expenses	<u>3,589,659</u>	<u>3,363,494</u>
Total program expenses	39,532,774	52,217,097
General and administrative expenses	<u>1,859,571</u>	<u>1,987,455</u>
<b>Total Expenditures and Expenses</b>	<u>41,392,345</u>	<u>54,204,552</u>
Change in Net Assets Before Changes in the Fair Value of Investments	(8,266,451)	(17,489,142)
Net realized gain (loss) on investments	(1,525,000)	851,739
Net increase (decrease) in the fair value of investments	<u>1,469,105</u>	<u>1,746,298</u>
<b>Net Change in Net Assets</b>	(8,322,346)	(14,891,105)
Net assets, Beginning of Year	<u>74,053,579</u>	<u>88,944,684</u>
<b>Net assets, End of Year</b>	<u><b>\$ 65,731,233</b></u>	<u><b>\$ 74,053,579</b></u>

Revenues from utility customer assessments decreased by \$851,918 during the 2009-2010 fiscal year primarily as a result of a decrease in utility usage.

Interest on short-term investments and cash deposits decreased by \$784,077 during the 2009-2010 fiscal year due to the decrease in the average cash balance on hand and lower interest rates. Other income during the 2009-2010 fiscal year included \$1.4 million received from the State Treasurer as proceeds from the defeasance of the rate reduction bonds. The fund received \$4 million from the state in Regional Greenhouse Gas Initiative (RGGI) auction proceeds.

Total expenditures for grants and programs during the 2009-2010 fiscal year were \$35,943,115, a decrease of \$12,910,488. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. During the 2009-2010 fiscal year, the CCEF committed a total of \$41 million for new grants and programs. As of June 30, 2010, the CCEF had outstanding commitments totaling \$36,866,787 expected to be paid over the next two fiscal years.

Program expenses increased by \$226,165 to \$3,589,659 during the 2009-2010 fiscal year due to the increases in costs to administer the Corporation's various programs. General and administrative expenses decreased slightly by \$127,884 to \$1,859,571.

Realized gains on program investments during the 2009-2010 fiscal year decreased by \$2,376,739 over the prior year and unrealized appreciation on these investments decreased by \$277,193 resulting from write-offs of certain investments that had been fully reserved for in prior years.

**Other Examinations:**

Independent public accountants audited the Corporation's and the CCEF's financial statements for the year under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of Connecticut Innovations, Incorporated and the Connecticut Clean Energy Fund for the audited period, and the results of the operations and cash flows during that period in conformity with accounting principles generally accepted in the United States of America.

The independent public accountants' report included an explanatory paragraph regarding the Corporation's use of estimates to determine the fair value of a significant portion of its assets in the absence of readily ascertainable market values. Essentially, it was concluded that the procedures the Corporation used to arrive at the estimated values of its investments were reasonable and appropriately documented; however, because of the inherent uncertainty of valuation, those estimated values could differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

As an integral part of their financial statement audits, the independent public accountants also provided reports on compliance and on internal control over financial reporting. These reports disclosed no instances of noncompliance concerning these requirements. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.



## CONDITION OF RECORDS

Our review of the records of Connecticut Innovations, Incorporated, including the Connecticut Clean Energy Fund, revealed the following areas that warranted comment.

### **Personnel Practices – Lack of Employee Performance Appraisals:**

*Criteria:* The Connecticut Innovations Employee Handbook requires that formal performance assessments for new hires and newly promoted employees are conducted at the completion of six (6) months. In addition, once an employee has completed an introductory employment period of six months, formal written performance appraisals are conducted annually.

*Condition:* We reviewed five personnel files and our review disclosed that four did not contain a signed copy of either an annual or semi-annual performance appraisal as required by the Connecticut Innovations (CI) Employee Handbook. Formal written performance appraisals were missing from the files for two employees upon hire and for two employees upon their promotions in the 2008-2009 and 2009-2010 fiscal years. Additionally, a signed copy of the annual performance appraisal for one employee for the 2009-2010 fiscal year could not be located.

*Effect:* Semi-annual performance appraisals were not completed as required by the employee handbook. In addition, the agency could not produce a signed copy of an annual performance appraisal for one employee.

*Cause:* We were informed that semi-annual performance appraisals were not always given if the employee's hire and/or promotion date coincided with the date of an annual review. In addition, it appears that staff may not be fully aware of both the semi-annual requirement upon hire and promotion. The agency could not produce a signed copy from either the supervisor and/or the employee and stated that they did not know where the signed copy was.

*Recommendation:* Connecticut Innovations Inc. should complete the semi-annual and annual performance appraisals as outlined in their employee handbook and maintain a signed copy in the employee's personnel file. (See Recommendation 1.)

*Agency's Response:* "Connecticut Innovations will take the following steps to implement this recommendation:

1. The manager of human resources will meet with all managers and supervisors to review employee performance appraisal requirements.

2. The manager of human resources will develop and maintain a log of performance appraisal due dates for all employees for all appraisal types.
3. On a monthly basis the vice president of finance and administration will review the log to ensure that all performance appraisals have been completed as required. Performance appraisals will be reviewed to ensure that all proper signoffs have been obtained.
4. CI will include the conducting of timely staff performance reviews per the CI employee handbook as a annual performance goal for all supervisors and managers of the company.”

**CCEF Loan Agreement, Section 5.2.(a)(i) – Lack of Financial Reports:**

*Criteria:* Section 5.2.(a)(i) of each Connecticut Innovations, Incorporated Loan Agreement requires that within thirty days after the end of each fiscal quarter of each fiscal year, the company shall deliver to Connecticut Innovations Inc. consolidated and consolidating balance sheets of the company and the related consolidated and consolidating statements of income, equity, and cash flows, annual reviewed statements, unaudited but prepared in accordance with GAAP and certified by the chief executive, chief financial, or other accounting officer of the company.

*Condition:* Quarterly financial reports were not obtained for all five loan agreements reviewed.

*Effect:* Lack of quarterly financial reports prevents the CI from determining the company’s ability to repay the loan.

*Cause:* We were informed that project monitoring was being accomplished through discussions and meetings.

*Recommendation:* Loan agreement stipulations should be enforced, including obtaining all required quarterly financial reports. (See Recommendation 2.)

*Agency’s Response:* “Connecticut Innovations will take the following steps to implement this recommendation:

1. Notify all parties to loan agreements of their obligation to provide quarterly financial reports to CI as required.
2. Develop an electronic monitoring system to:
  - a. Record all reporting obligations of current and future loan

- agreements;
  - b. Track dates when financial reports are due and send reminder letters 15 days prior to due dates to appropriate parties;
  - c. Notify CCEF project managers 15 days in advance of when such financial reports are due;
  - d. Record receipt of all financial reports;
  - e. Notify CCEF project managers of any delinquent financial reports at 15 day intervals, and
  - f. Assist CCEF project managers in obtaining all delinquent financial reports with additional written notifications to appropriate parties.
3. CI will include the proper request and review of quarterly financial reports in a timely manner as required by specific CCEF projects as an annual performance goal for all project and program managers.”

## RECOMMENDATIONS

*Status of Prior Audit Recommendations:*

- There were no prior audit recommendations from 2008-2009.

*Current Audit Recommendation:*

1. **Connecticut Innovations Inc. should complete the semi-annual and annual performance appraisals as outlined in their employee handbook and maintain a signed copy in the employee's personnel file.**

Comment:

Our review of five personnel files disclosed that four employee files did not contain a signed copy of either an annual or semi-annual performance appraisal as required by the employee handbook.

2. **Loan agreement stipulations should be enforced, including obtaining all required quarterly financial reports.**

Comment:

Quarterly financial reports were not obtained for all five loan agreements reviewed.

## **INDEPENDENT AUDITORS' CERTIFICATION**

As required by Section 2-90 and Section 1-122 of the General Statutes, we have conducted an audit of Connecticut Innovations Incorporated's (Corporation) activities, including the Connecticut Clean Energy Fund's (CCEF) activities, for the fiscal year ended June 30, 2010. This audit was primarily limited to performing tests of the Corporation's and the CCEF's compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to a determination of whether the Corporation and the CCEF have complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grant agreements and other financial resources, and to understanding and evaluating the effectiveness of the Corporation's and the CCEF's internal control policies and procedures for ensuring that the provisions of certain laws, regulations, contracts and grant agreements applicable to the Corporation and the CCEF are complied with. The financial statement audit of the Connecticut Innovations Incorporated and the Connecticut Clean Energy Fund, for the fiscal year indicated above, was conducted by the Corporation's and the CCEF's independent public accountants.

We conducted our audit in accordance with the requirements of Section 2-90 and Section 1-122 of the General Statutes. In doing so, we planned and performed the audit to obtain reasonable assurance about whether the Connecticut Innovations Incorporated and the Connecticut Clean Energy Fund complied in all material respects with the provisions of certain laws, regulations, contracts and grant agreements and to obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

### ***Internal Control over Financial Operations and Compliance:***

In planning and performing our audit, we considered the Corporation's and CCEF's internal control over its financial operations and its compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the Corporation's and the CCEF's financial operations and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of providing assurance on the effectiveness of the Corporation's and the CCEF's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the Corporation's and the CCEF's internal control over financial operations and compliance. Our consideration of internal control included, but was not limited to, the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or

detect and correct unauthorized, illegal or irregular transactions on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations, contracts, and grant agreements that would be material in relation to the Corporation's or the CCEF's financial operations will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial operations and compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the Corporation's and the CCEF's financial operations or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies in internal control over compliance: Recommendation 1 – Lack of semi-annual and annual performance evaluations and Recommendation 2 – Lack of quarterly financial reports.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

***Compliance and Other Matters:***

As part of obtaining reasonable assurance about whether the Corporation and the CCEF complied with laws, regulations, contracts and grant agreements, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Corporation's and CCEF's financial operations or compliance for the fiscal year ended June 30, 2010, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including but not limited to the following areas:

- Affirmative action
- Personnel practices
- Purchase of goods and services
- Use of surplus funds
- Distribution of loans, grants and other financial resources

Our examination included reviewing all or a representative sample of the Corporation's and the CCEF's activities in those areas and performing such other procedures as we considered necessary in the circumstances.

The results of our tests disclosed no material or significant instances of noncompliance. However, we noted certain matters, which we reported to Corporation's management in the accompanying Condition of Records and Recommendations sections of this report.

The Connecticut Innovations Incorporated's responses to the findings identified in our audit are

described in the accompanying Condition of Records section of this report. We did not audit the Corporation's responses and, accordingly, we express no opinion on them.

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited. Users of this report should be aware that our audit does not provide a legal determination of the Corporation's compliance with the provisions of the laws, regulations, contracts and grant agreements included within the scope of this audit.

**CONCLUSION**

We wish to express our appreciation for the cooperation and courtesies extended to our representatives by the personnel of the Connecticut Innovations, Incorporated and the Connecticut Clean Energy Fund during our examination.



Christine J Delaney  
Principal Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts



**CONNECTICUT CLEAN ENERGY FUND**  
(A Special Revenue Fund of the State of Connecticut)

**FINANCIAL STATEMENTS**

**JUNE 30, 2011**

## CONNECTICUT CLEAN ENERGY FUND

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Connecticut Clean Energy Fund**

We have audited the accompanying balance sheet and statement of net assets of the Connecticut Clean Energy Fund (the "Fund") (a Special Revenue Fund of the State of Connecticut) as of June 30, 2011 and the related statement of revenues, expenditures and changes in fund balance and statement of activities for the year then ended. These financial statements are the responsibility of Connecticut Clean Energy Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet and statement of net assets of the Connecticut Clean Energy Fund as of June 30, 2011 and the changes in financial position and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2011 on our consideration of Connecticut Clean Energy Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hartford, CT  
September 27, 2011

## CONNECTICUT CLEAN ENERGY FUND

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Connecticut Clean Energy Fund (the Fund) (a Special Revenue Fund of the State of Connecticut) for the fiscal year ended June 30, 2011. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to financial statements included in the "Financial Statements" section of this report.

#### **FINANCIAL STATEMENTS PRESENTED IN THIS REPORT**

The Fund was created to promote investment in renewable energy sources in accordance with a comprehensive plan developed by the Fund to foster the growth, development and commercialization of renewable energy sources and related enterprises, and to stimulate demand for renewable energy and the deployment of renewable energy sources, which serve end-use customers in the State.

The Fund's basic financial statements consist of government-wide financial statements, fund financial statements and notes to the financial statements.

The government-wide financial statements, consisting of the statements of net assets and activities, are designed to provide readers with a broad overview of the Connecticut Clean Energy Fund's finances in a manner similar to private-sector business. All the resources the Fund has at its disposal are shown, including long-term investments. They provide both long-term and short-term information about the Fund's overall financial status.

The statement of net assets presents information on all Fund assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets may serve as an indicator of whether the financial position of the Fund is improving or deteriorating.

The statement of activities presents information showing how the Fund's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in some future fiscal period.

Fund financial statements, consisting of the balance sheet and statement of revenues, expenditures and changes in fund balance, focus on current financial resources and omit long-term investments.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

## CONNECTICUT CLEAN ENERGY FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS OF FISCAL 2011*NET ASSETS*

Net assets increased by \$7.0 million to \$72.8 million at June 30, 2011. Cash and certificates of deposit increased by \$1.7 million in 2011 to \$59.9 million. Cash increased primarily as a result of an increase in utility assessment revenues, and grant revenues received during 2011.

As of June 30, 2011, the Board of Directors designated \$34.2 million in net assets to fund outstanding grant commitments as described in Note 6. These grants are expected to be paid over the next two fiscal years. The Fund has also budgeted an additional \$36 million to fund new grants which are expected to be awarded over the next year.

The Fund will continue to face challenges in the near term as it tries to meet its objectives. The type of investments the Fund makes are in new and unproven renewable energy technologies, which will take time to mature and involve considerable risk.

Other assets are composed primarily of utility customer assessments receivables, Regional Greenhouse Gas Initiative (RGGI) auction receivables and promissory notes purchased to fund a residential photovoltaic equipment lease program as of the end of the fiscal year.

The following table summarizes the net assets at June 30, 2011 and 2010 (in thousands):

	<i>Net Assets</i> <i>(in thousands)</i>		
	2011	2010	Increase (Decrease)
Cash, certificates of deposit	\$ 59,899	\$ 58,198	\$ 1,701
Investments	1,699	1,349	350
Promissory notes	10,663	6,288	
Other assets	4,735	4,877	(142)
<b>Total assets</b>	<u>76,996</u>	<u>70,712</u>	<u>6,284</u>
Current liabilities	4,216	4,981	(765)
<b>Total liabilities</b>	<u>4,216</u>	<u>4,981</u>	<u>(765)</u>
Restricted	234	289	(55)
Unrestricted	72,546	65,442	7,104
<b>Total net assets</b>	<u>\$ 72,780</u>	<u>\$ 65,731</u>	<u>\$ 7,049</u>

## CONNECTICUT CLEAN ENERGY FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*CHANGES IN NET ASSETS*

Revenues from utility customer assessments were \$28.4 million for 2011 compared to \$27.3 million in 2010. The net increase of \$1.1 million was primarily a result of an increase in utility usage.

Revenues from interest on cash deposits decreased \$.3 million to \$.1 million in 2011. Interest on short-term investments and cash deposits decreased due to the decrease in the average cash balance on hand and lower interest rates. The fund received \$3.4 million from the state in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2011 were \$24.3 million, a decrease of \$11.7 million from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. During 2011, the Fund committed a total of \$16 million for new grants and programs.

Program expenses increased slightly by \$.2 million to \$3.8 million due to increases in costs to administer the Fund's various programs. General and administrative expenses decreased by \$.4 million to \$1.4 million.

Realized gains on program investments increased by \$.2 million over the prior year and unrealized appreciation on these investments decreased by \$59,000 as a result of Renewable Energy Credit activity during the year.

The following table summarizes the changes in net assets between June 30, 2011 and 2010 (in thousands):

***Changes in Net Assets***  
***(in thousands)***

	2011	2010	Increase (Decrease)
Revenues	\$ 36,391	\$ 33,126	\$ 3,265
Operating expenses:			
Grants and program investments	24,254	35,943	(11,689)
Program expenses	3,772	3,590	182
General and administrative expense	1,436	1,859	(423)
Total operating expenses	29,462	41,392	(11,930)
<b>Operating income</b>	6,929	(8,266)	15,195
Net change in unrealized appreciation in fair value of investments	(58)	1,469	(1,527)
Net realized (loss) gain on investments	178	(1,525)	1,703
<b>Net change in net assets</b>	<b>\$ 7,049</b>	<b>\$ (8,322)</b>	<b>\$ 15,371</b>

## CONNECTICUT CLEAN ENERGY FUND

## BALANCE SHEET AND STATEMENT OF NET ASSETS

JUNE 30, 2011

	Balance Sheet	Adjustments	Statement of Net Assets
<b>Assets</b>			
Cash and cash equivalents	\$ 57,664,091	\$ --	\$57,664,091
Utility customer assessments receivable	2,683,145	--	2,683,145
RGGI auction receivable	329,833	--	329,833
Other assets	291,671	1,429,921	1,721,592
Solar Lease Notes	--	10,663,543	10,663,543
Portfolio investments	--	1,698,715	1,698,715
Restricted assets:			
Cash and cash equivalents	<u>2,234,945</u>	<u>--</u>	<u>2,234,945</u>
<b>Total Assets</b>	<u>\$ 63,203,685</u>	<u>\$ 13,792,179</u>	<u>\$76,995,864</u>
<b>Liabilities and Fund Balance/Net Assets</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 1,753,874	\$ --	\$ 1,753,874
Due to fund administrator	461,752	--	461,752
Deferred revenue	<u>2,000,000</u>	<u>--</u>	<u>2,000,000</u>
<b>Total Liabilities</b>	<u>4,215,626</u>	<u>--</u>	<u>4,215,626</u>
<b>Fund Balance/Net Assets</b>			
Unrestricted net assets	--	72,546,364	72,546,364
Restricted fund balance/ restricted net assets	233,875	--	233,875
Committed fund balance	34,225,106	(34,225,106)	--
Unassigned fund balance	<u>24,529,079</u>	<u>(24,529,079)</u>	<u>--</u>
<b>Total Fund Balance/Net Assets</b>	<u>58,988,060</u>	<u>13,792,179</u>	<u>72,780,239</u>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<u>\$ 63,203,686</u>	<u>\$ 13,792,179</u>	<u>\$76,995,865</u>

*The accompanying notes are an integral part of these financial statements.*



## CONNECTICUT CLEAN ENERGY FUND

## BALANCE SHEET AND STATEMENT OF NET ASSETS (CONTINUED)

JUNE 30, 2011

	Balance Sheet	Adjustments	Statement of Net Assets
Amounts reported for governmental activities in the statement of net assets are different because:			
Long-term program investments are treated as expenditures for fund purposes		\$ 1,698,715	
Long-term renewable energy certificates are treated as expenditures for fund purposes		1,429,921	
Long-term solar lease notes receivable are treated as expenditures when the notes are purchased for fund purposes		10,936,961	
Less - Solar Loan Loss Reserve		<u>(273,418)</u>	
<b>Total Adjustments to Net Assets</b>		<u><u>\$ 13,792,179</u></u>	

*The accompanying notes are an integral part of these financial statements.*

## CONNECTICUT CLEAN ENERGY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE AND STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

	Statement of Revenues, Expenditures and Changes in Fund		Statement of Activities
	Balance	Adjustments	
<b>Revenues</b>			
Utility customer assessments	\$ 28,444,062	\$ --	\$ 28,444,062
Interest on short-term investments	117,145	--	117,145
Interest on solar lease notes	447,251	--	447,251
RGGI Auction income	3,383,276	--	3,383,276
Grant revenue	3,808,690	--	3,808,690
Other income	191,340	--	191,340
<b>Total Revenues</b>	<u>36,391,764</u>	<u>--</u>	<u>36,391,764</u>
<b>Expenditures and Expenses</b>			
Program			
Grants	29,288,320	(5,034,678)	24,253,642
Program expenses	3,772,446	--	3,772,446
	33,060,766	(5,034,678)	28,026,088
General and administrative expenses	1,435,869	--	1,435,869
<b>Total Expenditures and Expenses</b>	<u>34,496,635</u>	<u>(5,034,678)</u>	<u>29,461,957</u>
<b>Change in Fund Balance/Net Assets Before Change in Value of Investments</b>	1,895,129	5,034,678	6,929,807
<b>Net Realized Gain on Investments</b>	177,756	--	177,756
<b>Net Decrease in Fair Value of Investments</b>	<u>(58,557)</u>	<u>--</u>	<u>(58,557)</u>
<b>Net Change in Fund Balance/ Net Assets</b>	2,014,328	5,034,678	7,049,006
<b>Fund Balance/Net Assets - Beginning</b>	<u>56,973,732</u>	<u>8,757,501</u>	<u>65,731,233</u>
<b>Fund Balance/Net Assets - End</b>	<u>\$ 58,988,060</u>	<u>\$ 13,792,179</u>	<u>\$ 72,780,239</u>

*The accompanying notes are an integral part of these financial statements.*

## CONNECTICUT CLEAN ENERGY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE AND STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2011

	Prior Year Reconciling Items	Current Year Reconciling Items	Total Statement of Activities
<b>Net Change in Fund Balance</b>		<u>\$ 2,014,328</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Long-term program investments are treated as expenditures for fund purposes	\$ 1,348,815	350,000	\$ 1,698,815
Long-term renewable energy certificates are treated as expenditures for fund purposes	1,120,982	308,939	1,429,921
Long-term solar lease notes receivable are treated as expenditures when the notes are purchased for fund purposes	6,449,029	4,487,932	10,936,961
Less - Solar Loan Loss Reserve Provision	<u>(161,225)</u>	<u>(112,193)</u>	<u>(273,418)</u>
<b>Total Adjustments</b>	<u>\$ 8,757,601</u>	<u>5,034,678</u>	<u>\$ 13,792,279</u>
<b>Net Change in Net Assets</b>		<u>\$ 7,049,006</u>	

*The accompanying notes are an integral part of these financial statements.*

**CONNECTICUT CLEAN ENERGY FUND****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES*****NATURE OF OPERATIONS***

The Connecticut Clean Energy Fund (the Fund) (statutorily the Renewable Energy Investment Fund) was established in July 1998 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut. The Fund, a Special Revenue Fund of the State of Connecticut, was created to promote investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end-use customers in the State. As described in Note 5, the Fund is administered by Connecticut Innovations, Incorporated.

The Department of Public Utility Control assesses a charge per kilowatt-hour to each end-use customer of electric services in the State, which is paid to the Fund. The Fund, through its administrator, Connecticut Innovations, Incorporated, may deploy the funds for grants, direct or equity investments, contracts or other actions which support research, development, manufacture, commercialization, deployment and installation of renewable energy technologies, and actions which expand the expertise of individuals, businesses and lending institutions with regard to renewable energy technologies.

Accounting principles generally accepted in the United States of America require that the reporting entity include the primary government and its component units, entities for which the government is considered to be financially accountable, all organizations for which the primary government is financially accountable, and other organizations which by the nature and significance of their relationship with the primary government would cause the financial statements to be incomplete or misleading if excluded. Blended component units, although legally separate entities, are, in substance, part of the government's operations; therefore, data from these units are combined with data of the primary government. Based on these criteria, there are no component units requiring inclusion in these financial statements.

***MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION******BASIS OF PRESENTATION***

The accompanying financial statements have been prepared in conformity with the requirements of the Governmental Accounting Standards Board. The more significant of the Fund's accounting policies are described below.

**CONNECTICUT CLEAN ENERGY FUND****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Connecticut Clean Energy Fund.

The government-wide financial statements are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Fees are recognized as revenues in the year for which they are charged.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

***USE OF ESTIMATES***

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the certain reported amounts and disclosures in the financial statements. The most significant estimates are the determination of the fair value of its investments. Actual results could vary from the estimates that were used.

***CASH AND CASH EQUIVALENTS***

Cash equivalents consist of cash and highly liquid short-term investments with an original term of 90 days and are recorded at cost, which approximates market value.

**CONNECTICUT CLEAN ENERGY FUND****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****RESTRICTED ASSETS***

Restricted assets consist of short-term investments in the State Treasurer's Short-Term Investment Funds which are legally restricted for a contractual commitment to fund the maintenance of a fuel cell for a municipality in the State of Connecticut.

***PORTFOLIO INVESTMENTS***

The Fund carries all investments at fair value as determined by an independent valuation committee using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. In the absence of readily determinable market values, the Committee gives consideration to pertinent information about the companies comprising these investments, including, but not limited to, recent sales prices of the issuer's securities, sales growth, progress toward business goals and other operating data. The Fund has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. Management reserves the right to establish a reserve in addition to the recommended reserve from the valuation committee to further account for current market conditions and volatility. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material. The Fund reports gains as realized and unrealized consistent with the practice of venture capital firms. The calculation of realized gains and losses is independent of the calculation of the net change in investment value.

All of the Fund's portfolio investments are uninsured and unregistered, and are held in the administrator's name.

***FUND BALANCE/NET ASSETS***

The Fund adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with the Statement, the Fund has reported its fund balances on the fund financial statements in the following categories:

- Committed Fund Balance – represents amounts that can only be used for specific purposes imposed by formal action of the Board of Directors
- Restricted Fund Balance – represents amounts with restrictions that are legally enforceable
- Unassigned Fund Balance – represents fund balance that is neither restricted, committed or assigned to specific purposes

**CONNECTICUT CLEAN ENERGY FUND****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

For government-wide reporting purposes, the Fund has reported its net assets in the following categories:

- Restricted Net Assets – represents amounts with restrictions that are legally enforceable
- Unrestricted – represents net assets that are not restricted

***GRANTS AND PROGRAMS***

Expenditures for grants and programs are recorded upon the submission of invoices and other supporting documentation and approval by management. Salaries, benefits and overhead expenses are allocated to program expenses based on job functions.

***SUBSEQUENT EVENTS***

The Fund has performed a review of events subsequent to the balance sheet date through September 27, 2011, the date of the financial statements where available to be issued.

Effective July 1, 2011 Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut under which the Renewable Energy Investment Fund (Connecticut Clean Energy Fund) was established was modified to create the Clean Energy Finance and Investment Authority (CEFIA), a quasi public agency of the State. The Renewable Energy Investment Fund was renamed the Clean Energy Fund. CEFIA is the successor agency to Connecticut Innovations, Inc, a quasi public agency of the State, for purposes of administering the Clean Energy Fund. The CEFIA is within Connecticut Innovations, Inc., a quasi public agency of the State of Connecticut for administrative purposes only.

## CONNECTICUT CLEAN ENERGY FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

## NOTE 2 – FAIR VALUE MEASUREMENTS

The Fund values certain of its financial assets and liabilities at fair value, which it defines as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

In determining fair value, the Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Fund also considers nonperformance risk in the overall assessment of fair value.

The Fund uses a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

- Level 1: Quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. This established hierarchy assigns the highest priority Level 1 assets.
- Level 2: Observable inputs that are based on data not quoted in active markets, but corroborated by market data.
- Level 3: Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset at the reporting date.

Financial assets carried at fair value as of June 30, 2011 are classified in the following table in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Cash and				
cash equivalents	\$ 59,899,036	\$ --	\$ --	\$ 59,899,036
Portfolio investments	--	--	1,698,715	1,698,715
	<u>\$ 59,899,036</u>	<u>\$ --</u>	<u>\$ 1,698,715</u>	<u>\$ 61,597,751</u>



**CONNECTICUT CLEAN ENERGY FUND**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)**

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of net assets available for benefits using significant unobservable (Level 3) inputs:

Balance - beginning of year	\$ 1,348,715
Purchases, issuances and settlements - net	<u>350,000</u>
Balance - end of year	<u>\$ 1,698,715</u>

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The following is a summary of cash and cash equivalents at June 30, 2011:

Checking	\$ 193,337
Money Market	500
State Treasurer's Short-Term Investment Fund	<u>57,470,254</u>
Unrestricted cash and cash equivalents	57,664,091
Checking - restricted	100
State Treasurer's Short-Term Investment Fund - restricted	<u>2,234,845</u>
Total cash and cash equivalents	<u>\$ 59,899,036</u>

***STATE TREASURER'S SHORT-TERM INVESTMENT FUND***

The State Treasurer's Short-Term Investment Fund is an investment pool. The value of the Fund's position in the pool is the same as the value of pool shares. Regulatory oversight is provided by an investment advisory council and the State Treasurer's Cash Management Board.

***INVESTMENT MATURITIES***

The State Treasurer's Short-Term Investment Fund has no maturity date and is available for withdrawal on demand.

# CONNECTICUT CLEAN ENERGY FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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### NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

#### *INTEREST RATE RISK*

The Fund manages its exposure to declines in fair value by limiting the average maturity of its cash and cash equivalents to no more than one year.

#### *CREDIT RISK*

Connecticut General Statutes authorize the Fund to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Fund's investments are as follows:

	Moody's Investors Service	Standard & Poor's
State Treasurer's Short-Term Investment Fund	Aaa	AAAm

#### *CONCENTRATION OF CREDIT RISK*

The Fund's investment policy does not limit the investment in any one investment vehicle. Other than the State Treasurer's Short-Term Investment Fund (STIF), the Fund has no investments in any one investment vehicle greater than 5% of the Fund's total investments. The STIF lowers risk by investing in high quality, well diversified securities with relatively short average maturities.

#### *CUSTODIAL CREDIT RISK — DEPOSITS*

In the case of deposits, this represents the risk that, in the event of a bank failure, the Fund's deposits may not be returned to it. The Fund does not have a deposit policy for custodial credit risk. As of June 30, 2011, none of the Fund's bank balance was exposed to custodial credit risk because it was not covered under federal depository insurance or collateralized.

#### *CUSTODIAL CREDIT RISK — INVESTMENTS*

For an investment, this represents the risk that, in the event of the failure of the counterparty, the Fund will not be able to recover the value of the investment. As of June 30, 2011, the Fund has no reportable custodial risk.

# CONNECTICUT CLEAN ENERGY FUND

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

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### NOTE 4 - PORTFOLIO INVESTMENTS

The Fund invests in emerging companies, which, in the event the company becomes successful, could represent a significant portion of the investment balances at a given time. Securities held at June 30, 2011 represent investments in two companies.

### NOTE 5 - RELATED PARTY TRANSACTIONS

The Fund is operated by its administrator, Connecticut Innovations, Incorporated, as provided in the General Statutes of the State of Connecticut. The administrator provides services to the Fund, at cost, for its operations. Such services include, but are not limited to, staff to manage and administer the Fund, office space, equipment and supplies, insurance and back office support. Pursuant to State statute, the Fund administrator is subject to a mandated personnel fringe benefit charges because the Fund's employees are paid by the State. The rates charged for fiscal years 2011 and 2010 in the aggregate comprised 63.73% and 62.92% of gross salaries, respectively. Expenses billed to the Fund by its administrator totaled \$3,995,066 for the year ended June 30, 2011. As of June 30, 2011, amounts due to Connecticut Innovations Incorporated, totaled \$131,919.

The administrator's employees may serve as directors and/or officers of portfolio companies and non-profit organizations whose work advances the mission of the Fund. Consistent with State law and the administrator's own policies, employees receive no compensation or benefits from such organizations. Serving as directors and/or officers was contemplated as part of the administrator's official duties.

### NOTE 6 - COMMITTED FUND BALANCE

As of June 30, 2011, the Board of Directors has committed a portion of the fund balance to fund grants for specific projects in the following areas:

Fuel cells	\$ 7,087,591
Solar	13,886,583
Other technologies	840,017
Project 150 and Predevelopment Program	10,702,892
Operation Demonstration Program	1,369,777
Education and outreach	<u>338,246</u>
	<u>\$ 34,225,106</u>

These grants are expected to be paid over the next two fiscal years.

**CONNECTICUT CLEAN ENERGY FUND****NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 7 - RESTRICTED FUND BALANCE/NET ASSETS**

As discussed in Note 1, the Fund has a contractual commitment of \$233,875 to fund the maintenance of a fuel cell for a municipality in the State of Connecticut.

**NOTE 8 - RISK MANAGEMENT**

The Fund is subject to normal risks associated with its operations. All risks are managed through commercial insurance as the Fund is covered by the insurance policies maintained by the administrator.

**NOTE 9 - RENEWABLE ENERGY CREDITS**

The Fund owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain renewable energy facilities for which the Fund provided the initial funding. The Fund has entered into agreements to sell a total of 30,000 REC's generated through December 31, 2013 at prices ranging from \$15.00 to 16.50 per REC, totaling \$465,000.

RECs trade on the New England Power Pool (NEPOOL) market. The market price of Connecticut Class 1 RECs as of June 30, 2011 ranged from \$19.00 to \$21.00. However the Fund's inventory as of June 30, 2011 has been priced at the sales price per the agreements. Based on historical performance, management believes that the RECs it will receive from its funded facilities through December 31, 2013 will exceed its commitment to sell under this agreement.

The REC's are reported as part of Other Assets on the Balance Sheet and Statement of Net Assets.

**NOTE 10 - DEFERRED REVENUE**

The amount represents unspent grant funds received by the Fund under the American Recovery and Reinvestment Act program. These monies, \$2,000,000, will fund State Energy Program Formula Grants for Fuel Cell projects under the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
**Connecticut Clean Energy Fund**

We have audited the balance sheet and statement of net assets of the Connecticut Clean Energy Fund, a special revenue fund of the State of Connecticut, as of June 30, 2010 and the related statement of revenues, expenditures and changes in fund balance and statement of activities for the year then ended, and have issued our report thereon dated September 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit, we considered the Connecticut Clean Energy Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Connecticut Clean Energy Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether Connecticut Clean Energy Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Directors, management and the State of Connecticut and is not intended to be and should not be used by anyone other than those specified parties.

Hartford, CT  
September 27, 2011

**CONNECTICUT CLEAN ENERGY FUND**

**FEDERAL SINGLE AUDIT**

**JUNE 30, 2011**

***DRAFT***

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
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GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
**Connecticut Clean Energy Fund**

We have audited the financial statements of the Connecticut Clean Energy Fund (CCEF) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

Management of CCEF is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CCEF's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CCEF's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CCEF's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether CCEF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hartford, Connecticut  
September 27, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133 AND  
ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

Board of Trustees  
**Connecticut Clean Energy Fund**

*COMPLIANCE*

We have audited the Connecticut Clean Energy Fund (CCEF) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CCEF's major federal programs for the year ended June 30, 2011. The CCEF's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of CCEF's management. Our responsibility is to express an opinion on CCEF's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CCEF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of CCEF's compliance with those requirements.

In our opinion, Connecticut Clean Energy Fund complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

***INTERNAL CONTROL OVER COMPLIANCE***

Management of CCEF is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered CCEF's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCEF's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

We have audited the basic financial statements of Connecticut Clean Energy Fund as of and for the year ended June 30, 2011, and have issued our report thereon dated September 27, 2011. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information of the Board of Trustees, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hartford, Connecticut  
September 27, 2011

**CONNECTICUT CLEAN ENERGY FUND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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DRAFT

Federal Grantor/ Program Title	CFDA Number	Expenditures
Department of Energy		
State Energy Program (Recovery Act)	81.041	\$ 2,591,470
Energy Efficiency and Conservation		
Block Grant Program (EECBG) (Recovery Act)	81.128	<u>1,176,351</u>
<b>Total Expenditures of Federal Awards</b>		<b><u><u>\$ 3,767,821</u></u></b>

*See Notes to Schedule of Expenditures of Federal Awards.*

**CONNECTICUT CLEAN ENERGY FUND****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****FOR THE YEAR ENDED JUNE 30, 2011**

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES*****BASIS OF PRESENTATION***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Connecticut Clean Energy Fund (CCEF) and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**CONNECTICUT CLEAN ENERGY FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2011**

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**SECTION I - SUMMARY OF AUDITOR’S RESULTS**

*Financial Statements*

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_ yes    no
- Significant deficiency(ies) identified? \_\_\_ yes    none reported

Noncompliance material to financial statements noted? \_\_\_ yes    no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_ yes    no
- Significant deficiency(ies) identified? \_\_\_ yes    none reported

Type of auditor’s report issued on compliance for major programs: unqualified.

Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? \_\_\_ yes    no

**Major Programs:**

<u>Funding Source</u>	<u>Program</u>	<u>CDFA No.</u>
U.S. Department of Energy	State Energy Program (Recovery Act)	81.041
	Energy Efficiency and Conservation Block Grant (Recovery Act)	81.128

**Dollar Threshold Used to Distinguish Type A and Type B Programs: \$300,000**

**Qualification of Auditee as a Low-Risk Auditee: No**

**CONNECTICUT CLEAN ENERGY FUND****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)****FOR THE YEAR ENDED JUNE 30, 2011**

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**SECTION II — SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERAL ACCEPTED GOVERNMENT AUDITING STANDARDS**

- We issued reports, dated September 27, 2011 on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance and other matters indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no material weaknesses.

**SECTION III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings relating to Federal award programs.





# Memo

**To:** Board of Directors, Clean Energy Finance and Investment Authority

**From:** Bryan Garcia

**CC:** Jonathan Raab, Facilitator with Raab Associates, Jessica Bailey, Program Officer of the Rockefeller Brothers Fund, and Erin King, Graphic Artist with Collective Next

**Date:** November 16, 2011

**Re:** Key Highlights from the Strategic Planning Retreat

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With the goal of refining CEFIA's mission and strategy, I convened 33 people, including CEFIA Board Members (including Mun Choi, Mark Cirilli, Norma Glover, John Olsen and Matt Ranelli), CEFIA staff, and key external stakeholders (i.e. end-users, contractors, financiers, etc.), for a strategic planning retreat November 7-8. The meeting was structured to tap the expertise of the stakeholders in the room around several key questions: how should we define CEFIA's mission, how should CEFIA be financed to meet that mission, how should CEFIA be structured to accomplish its goals, and by what metrics should CEFIA's success be judged.

The group agreed that **CEFIA's role is to leverage private capital in order to help Connecticut meet its clean energy agenda** (i.e., RPS, energy efficiency, GHG, and economic development goals, and CEFIA-specific legislative directives). This was very consistent with the board guidance from the October 31 board meeting. The participants agreed that in keeping with its new "green bank" mission the three most important indicators to gauge the success of CEFIA were:

1. **Total dollars of investment in clean energy in Connecticut**
2. **Ratio of private capital to public funds**
3. **Amount of clean energy deployed**

A broad overarching Apollo-program like goal was proposed – **Deploy X amount of private capital leveraged by Y amount of public funds into Connecticut's clean energy economy by Year A, B, and C.**

Several strategies were identified for CEFIA to pursue:

1. **To leverage** private capital using public funds by lowering the cost of capital. The leverage opportunity could be met by providing credit enhancement through tools like loan loss reserve funds, revolving loan funds, insurance products, and interest rate buy-downs. There were many sources of potential funding identified, including federal funds, credit unions, insurance companies, pension funds and endowments.

2. **To aggregate** on the demand-side to lower costs to customers, and on the finance side to lower transaction costs and cost of capital.
3. **To educate** customers about the opportunity for renewable energy and energy efficiency in Connecticut. This must include investment grade research to make sure Connecticut has best in class data about the clean energy investment opportunity – the size of the market, as well as performance data, price discovery, and underwriting information. This education role could also include marketing campaigns and should include partnership with the utilities.

Following the discussion on strategies, the participants engaged in a session focused on the appropriate organizational structure for CEFIA and the necessary skills for staff to execute on the new mission. Input from this session, in combination with some pro bono assistance from McKinsey & Co. through the assistance of Reed Hundt, will be helpful in guiding me to appropriately structure and staff CEFIA as well as hire external contractors to assist us with achieving the mission.

The rest of the meeting was focused on concrete “next steps” that will allow CEFIA to have some “early wins” and to position itself for success. The ideas in this section were focused both on organizational development (i.e. hire staff, create a business plan) and externally focused “wins” (i.e. launch programs). It is this list which will be the immediate follow up from the meeting.

I am in the process of setting up task-oriented teams to follow up on the following next steps:

- **Repurpose ARRA SEP grant funds.** Led by partners from the U.S. Department of Energy, the group had a very concrete and actionable discussion about how CEFIA could set up a special purpose entity to provide a flexible vehicle to use current federal funding to leverage private capital. More details on this will come in separate material.
- **Commission a Connecticut Market Study.** Commission investment grade market analysis/research to position Connecticut as a friendly home for private sector investment. This may include a McKinsey-type study on unlocking clean energy in Connecticut’s economy.
- **Partner with the State, CEEF, and Utilities on Marketing Campaign.** Coordinate with the State of Connecticut (i.e. DEEP), Connecticut Energy Efficiency Fund and the utilities on a jointly-supported energy marketing campaign.
- **Tout Program Successes.** Publicize fuel cell performance in the recent storms and take credit for achieving a low default rate in the residential solar lease program to send a signal to the capital markets.
- **Launch Solar Programs.** Launch solar thermal and residential PV incentive programs.
- **Ensure Project 150 Progress.** Ensure that the 45 MW of fuel cells underneath Project 150 gets financed, built, and commissioned.

It was an intensely rich and productive 36 hours. This short memo captures only a fraction of the very important input from the participants and the influence the meeting will have over the development of CEFIA. (See the meeting graphic notes and summary for more information).



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

# Memo

**To:** Board of Directors, Clean Energy Finance and Investment Authority

**From:** Bryan Garcia

**Date:** November 16, 2011

**Re:** Proposal to repurpose American Recovery and Reinvestment Act (Stimulus) funds

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## BACKGROUND

At the October 31, 2011 meeting of the CEFIA Board of Directors, Board Members directed CEFIA to expend all ARRA grant dollars by the April 2012 deadline. As President of CEFIA, I was given broad authority to ensure that no funds from CEFIA are to be returned to the Connecticut Department of Energy and Environmental Protection (DEEP) and subsequently the U.S. Department of Energy.<sup>1</sup>

While there are several options for CEFIA to accomplish this mandate, a recent meeting with officials from the Department of Energy has revealed an appealing option that can both meet CEFIA's expenditure deadline and potentially allow the ARRA funds to be more usefully leveraged by Connecticut. I propose that DEEP repurpose a portion of ARRA-State Energy Program funds received by the Connecticut Clean Energy Fund (up to \$10 million – or 50% of funds) from grants to finance programs.

## EXISTING ARRA FUNDS

Connecticut received \$38,542,000 from the State Energy Program (SEP) grants under the American Recovery and Reinvestment Act (ARRA). As approved by OPM Energy Office in 2009, the current allocation of ARRA funding is:

- **Renewable Energy** – \$20,000,000 of the SEP grants were transferred from OPM (i.e. grantee) to the Connecticut Clean Energy Fund (CCEF),<sup>2</sup> a third party, to support four (4) renewable energy rebate/incentive programs – see sample contract<sup>ii</sup>
  - **Solar Thermal** - \$4 million for a new incentive program
  - **Geothermal** - \$5 million for a new incentive program
  - **Solar PV** - \$3 million of additional funding for the existing On-Site Distributed Generation (OSDG) incentive program
  - **Fuel Cells** - \$8 million of additional funding for the existing On-Site Distributed Generation (OSDG) incentive program

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<sup>1</sup> It should be noted that the original ARRA SEP grantee for Connecticut was the OPM Energy Office. As a result of PA 11-80, the OPM Energy Office was consolidated into DEEP.

<sup>2</sup> It should be noted that the original ARRA SEP third party for renewable energy was the Connecticut Clean Energy Fund. As a result of PA 11-80, the CCEF is now administered by CEFIA.

- **Energy Efficiency** – \$12,500,000 of the SEP grants were transferred from OPM (i.e. the grantee) to CL&P, UI, and CMEEC (i.e. the third parties) to support three (3) energy efficiency rebate/incentive programs
- **State Buildings** – \$5,000,000 of the SEP grants were transferred from OPM (i.e. the grantee) to the Department of Public Works for state building energy improvements
- **Other** – Remaining funds (\$1,042,000) were distributed for administration, training and certification programs, and support for other small projects

The current plan involved CEFIA making grants to various projects that fell within the renewable energy category. As the board discussed at the October 31, 2011 meeting, there is significant concern that projects will fall behind schedule and the grants would not be expended by the April 2012 deadline. CEFIA has projects approved by the Board of Directors for all \$20 million of the SEP grants, but given the nature of cash flows for renewable energy project development, only about \$4,000,000 has been expended to date since the inception of the program in August of 2009.

### **REPURPOSING ARRA FUNDS FROM GRANTS TO FINANCING**

At the recent CEFIA Strategic Planning Retreat at the Pocantico Conference Center, I spoke with Rima Ouied, Policy Advisor, Distributed Generation Deployment and Finance Lead from the Department of Energy, about CEFIA's urgency to expend ARRA grants by April 2012. She explained in detail a plan – which a few other states are currently executing<sup>iii</sup> – that would allow the ARRA funds to be completely expended, thereby meeting the April 2012 deadline, by DEEP filing paperwork to DOE requesting to repurpose the funds from grants to financing tools and then transferring the ARRA money to a Third Party Administrator<sup>iv</sup>. In other words, DEEP repurposes the grant funds and tells DOE that it is going to use the ARRA funding to create eligible financing mechanisms to leverage additional capital, receives approval from DOE to do this, establishes a contract with CEFIA as a third-party administrator, and then can fully expend the remaining ARRA money to create the financial programs. Once the money is drawn down from Treasury and moved from DEEP to CEFIA, the DOE will consider them completely expended.

In this model, rather than just using the ARRA dollars for grants, CEFIA would be able to use the ARRA funding for (1) revolving loan funds, (2) loan loss reserve funds, (3) interest rate buy downs, **or** (4) third party loan insurance. It is an option that provides a number of opportunities for CEFIA and one that will both alleviate the concerns about expending the ARRA money by the deadline and allow CEFIA to use the ARRA funding to create financial products to attract private investment to renewable energy and energy efficiency programs in Connecticut.

### **NEXT STEPS**

If the board agrees repurposing the ARRA funding from grants to financial tools is a good pathway, I would ask for adoption of the following resolution:

**WHEREAS, the purposes of the ARRA SEP funds obligated to the Connecticut Clean Energy Fund (CCEF) by Connecticut's Office of Policy and Management (OPM) are consistent with the comprehensive plan adopted by the Board of Directors of the CCEF; and**

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

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

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

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

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

**WHEREAS, the DOE will consider as fully expended any funds so repurposed at the time the funds are obligated from the DEEP to CEFIA for financing programs; and**

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

**NOW, THEREFORE, BE IT:**

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

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

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

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

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

**RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract or other legal instrument necessary to effect this Resolution on such terms and conditions as he or she shall deem to be in the interests of CEFIA and the ratepayers, in conformance with the wishes of the Board, and in conformance with CEFIA's operating procedures.**

**RESOLVED, that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect the above-mentioned legal instrument.**

Upon adoption of the resolution, CEFIA staff and advisors will work with DEEP, legal counsel, and the DOE to begin repurposing the ARRA money from grants to a financing program.

The following steps will be necessary:

- A meeting with Commissioner Dan Esty and Deputy Commissioner Jonathan Schrag of DEEP to describe this opportunity and ask for their approval to pursue the repurposing of ARRA funds.

- Internal meetings with staff at CEFIA to develop an innovative financing “Work Program” that leverages the SEP grants and turn them into financial tools for scaling-up clean energy investments in Connecticut. This scoping of the best products for CEFIA to create should include an RFP to the investment community to get their guidance on how CEFIA can use its federal resources to maximize private investment in its near-term priorities. DOE approved options include: (1) revolving loan funds, (2) loan loss reserve funds, (3) interest rate buy downs, **or** (4) third party loan insurance.
- DEEP to work with DOE counterparts to process the necessary documents to repurpose the ARRA grant. This is estimated to take between two weeks and three months to complete and we have an ally in Rima Oueid to move the process forward within DOE.
- Once DOE has approved the repurposing of the grant, DEEP will transfer the remaining ARRA balance to CEFIA, as the Third Party Administrator.
- DEEP will report to DOE on the full expenditure of the ARRA funding.
- DEEP will continue to monitor and report on the ARRA funds as stipulated in the terms and conditions of the award.

### **ADDITIONAL INFORMATION**

This recently presented opportunity provides a solution that uses ARRA funding to leverage additional capital with our newly created authority at CEFIA and eliminates the risk of not expending federal stimulus dollars by the April deadline. In addition, because CEFIA has unrestricted cash on hand, we will still be able to pay for the rebates and incentives that have been approved by the CCEF Board which the SEP grants are currently earmarked for. I don’t see any cash flow concerns for covering the rebate incentives for these projects.<sup>vi</sup>

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<sup>i</sup> See Section 7 of the Meeting Minutes from the October 31, 2011 CEFIA Board of Directors meeting

<sup>ii</sup> See sample of attached contract between the Office of Policy and Management (OPM) Energy Office and the Connecticut Clean Energy Fund (CCEF).

<sup>iii</sup> Several states, including Florida, Michigan, and Nevada, have already repurposed their ARRA grants to financial programs and the DOE is actively helping states to go through this process, as it recognizes the ability for this modification to allow clean energy investments to scale beyond one-off grants.

<sup>iv</sup> See Guidance from the DOE on Repurposing ARRA funds from grants to financing programs. Additional FAQs can be found via the following links: [http://www1.eere.energy.gov/eere\\_faq/default.aspx?pid=10&spid=3](http://www1.eere.energy.gov/eere_faq/default.aspx?pid=10&spid=3) and <http://energy.gov/gc/report-appliance-regulation-violation/faqs-related-recovery-act>

<sup>v</sup> See CEFIA ARRA SEP Grants Budget to Actual

<sup>vi</sup> See CEFIA Commitment Analysis through October 2011



## Work Program – Geothermal Rebate Incentive

### **Overview of the Grant:**

The Office of Policy and Management, Policy Development and Planning Division (hereinafter referred to as OPM), pursuant to the American Recovery and Reinvestment Act (hereinafter referred to as ARRA) State Energy Program Formula Grants (hereinafter referred to as SEP), makes a grant award of \$5,000,000 (FIVE MILLION DOLLARS) to the Connecticut Clean Energy Fund (hereinafter referred to as CCEF). This grant award shall be used to fund a geothermal heating & cooling incentive program as described in the below Scope of Work.

### **Scope of Work:**

#### **Description**

CCEF shall expend grant funds as incentives for a residential, and commercial geothermal heating & cooling program. Grant funds may also be used for administrative purposes capped at ten percent of the total grant, or \$500,000 (FIVE HUNDRED THOUSAND DOLLARS) over the grant period. Upon OPM approval of a plan for education, outreach and promotion the geothermal incentive program, up to ten percent of administrative funding, \$50,000 (FIFTY THOUSAND DOLLARS) may be used for implementing the aforementioned plan. All expenditures not used for direct rebate incentives, including but not limited to payroll expenses (wages and fringe benefit costs), supplies and materials expenses, technical support services, and program promotion and outreach expenses, are considered to be administrative.

Pursuant to the ARRA SEP and in adherence to requirements as indicated in the U.S. Department of Energy, National Energy Technology Laboratory funding opportunity announcement DE-FOA-0000052, and Connecticut's approved ARRA SEP application, the CCEF will implement and administer a residential and commercial geothermal incentive program. Within 30 days of the signing of this agreement, CCEF shall provide OPM the incentive levels for residential geothermal projects and the maximum dollar amount allowable per project. Within 30 days of the signing of this agreement, CCEF shall provide OPM the incentive levels for commercial geothermal projects and the maximum dollar amount allowable per project. All sites determined eligible and receiving incentive dollars must be in Connecticut. All projects funded under this program shall be closed-loop geothermal systems. As indicated in Connecticut's SEP ARRA application to U.S. DOE it is estimated that six hundred projects, totaling 65,000 MMBtu of energy savings, will be completed with funding under this grant.

The CCEF will cross reference the Department of Consumer protection's list of contractor's holding the applicable licenses to install geothermal systems to ensure incentives are paid out only on systems installed by vendors licensed to perform such work in Connecticut.



In order to assist program applicants with accessing all incentives available for geothermal systems, CCEF shall coordinate activities with utility administered geothermal incentive rebate programs, the Energy Conservation Loan Program (ECLP) administered by the Connecticut Housing Investment Fund (CHIF), and the federal tax credit program for geothermal technology. Specific activities will include: 1) inclusion of the utility rebate application as part of the CCEF application process. CCEF shall forward such applications to the appropriate utility for consideration; 2) notice to applicant of availability of loans for geothermal under the ECLP and appropriate contact information; and, 3) information on the 30% federal tax credit available for geothermal installation.

**Prior to project initiation of each commercial system installation,** the CCEF shall submit the project details on an environmental questionnaire to OPM for a National Environmental Policy Act (NEPA) review and determination. If the project moves forward in advance of the final NEPA determination, it is understood that CCEF is doing so at risk of not receiving federal funding for the project and such costs may not be recognized as allowable cost share.

To the maximum extent possible, CCEF shall use its existing infrastructure and operations to implement this program.

Within available funding CCEF will provide and or make provision for education and outreach to promote geothermal technology and the availability of incentive funds under this program. Up to ten percent of the funds, \$50,000 (FIFTY THOUSAND DOLLARS) of funds budgeted for administrative purposes shall be used for this purpose. A plan for such a promotional program must be submitted to OPM within two weeks of execution of this grant. Said plan can not be implemented until OPM approval has been granted.

### **Payment Schedule**

Funds dispersed to CCEF under this grant shall not exceed \$5,000,000 (FIVE MILLION DOLLARS). Payments to CCEF shall be made pursuant to the following schedule:

- Upon execution of the grant and submittal of a cash request form, OPM shall make a grant disbursement to CCEF in the amount of \$1,000,000 (ONE MILLION DOLLARS). This disbursement includes \$200,000 (TWO HUNDRED THOUSAND DOLLARS) for administrative costs and \$800,000 (EIGHT HUNDRED THOUSAND DOLLARS) for geothermal project incentives. Up to \$50,000 (FIFTY THOUSAND DOLLARS) of the initial administrative disbursement may be used for education, outreach and promotional activities.
- CCEF may request additional disbursements under this grant quarterly, after meeting quarterly progress and financial reporting requirements. Quarterly

disbursement amounts shall be based on program activity levels and the availability of U.S. Department of Energy allotments of ARRA SEP funds to OPM. Funds disbursed to CCEF are contingent upon OPM receiving grant funds from the U. S. Department of Energy. In recognition of the manner in which the U. S. Department of Energy is managing cash flow to Connecticut in incremental steps, OPM makes no commitment beyond the levels in the following schedule for cash payments to CCEF until such funds are released from the U. S. Department of Energy to OPM:

	<u>Administrative</u>	<u>Program</u>
Grant Execution	\$200,000	\$ 800,000
Year 1:	\$100,000	\$ 700,000
Year 2:	\$100,000	\$1,500,000
Year 3:	\$100,000	\$1,500,000

Notwithstanding the above payment schedule, CCEF may submit a written request for additional funds at anytime, provided that such request includes documentation as to the need for additional grant funds and provided that the U. S. Department of Energy has released additional incremental funding to OPM.

All funding received under this grant must be kept in an account separate from other funding sources and tracked and reported on separately from other program dollars that may be utilized to support or enhance activities being funded with ARRA funds under this grant. All funds shall be expended in a manner consistent with the General and Special Grant Conditions under this grant.

CCEF shall use any funds budgeted for, but not utilized for administrative and outreach costs, for program benefits. OPM encourages CCEF to minimize administrative expenditures wherever possible in order to maximize funding available for benefit payments.

CCEF shall provide OPM with a program end report indicating how much funding originally budgeted for administration was not spent for that purpose and was utilized for program benefits.

CCEF shall disburse all grant funds, which were received from OPM by the end of the grant period.

CCEF shall return to OPM any grant funds, which were received from OPM, and were not disbursed by the end of the grant period.

### **Reporting Requirements**

Within 30 days of execution of the grant, CCEF will develop and submit a plan for education and outreach to promote geothermal technology and the availability of incentive funds under this program. Upon approval by OPM, CCEF shall implement this promotional program plan.

A critical component of the receipt of funds under the ARRA is the reporting requirement. As such, CCEF must, within five calendar days of the end of each quarter report on funds expended and activities performed during the previous quarter to OPM (Quarter ending dates are 3/31, 6/30, 9/30 and 12/31). These conditions also apply to the annual reporting requirements. All reports shall be submitted to OPM within these specified timeframes on forms prescribed by OPM. Failure to submit reports within this timeframe may result in forfeiture of any and all funds previously transferred to CCEF under this program and termination of this grant award.

CCEF shall submit all information as required on reporting forms Exhibit A (Financial) and Exhibit B (Progress) attached. Exhibits A and B shall be submitted electronically on a quarterly and annual basis as indicated above.

All reporting must pertain specifically to activities funded with ARRA dollars under this grant.

In addition to these reporting requirements, the following metrics shall be provided to OPM (subject to modification or addition by the U. S. Department of Energy) in a format prescribed by OPM that will be provided to CCEF prior to the end of the initial quarter:

:

Quarterly (according to the above schedule)

- Number of systems installed
- Capacity of systems installed (Tons)
- Square footage of facilities at which the projects are located, by sector
- Jobs created or retained (number, type, duration)
- Hours worked on ARRA projects
- Total value in investments incentivized, by sector, (\$ residential, \$ commercial)

Annual (within five days of the end of the calendar year)

- Total actual Energy Savings ( MWh; gallons [propane, fuel oil]; mmcf)
- Reductions of
  - Greenhouse gases (CO<sub>2</sub> equivalents, in Tons)
  - Criteria pollutants reduced (Tons)

### **Site Visits**

OPM and the U. S. Department of Energy reserve the right to make site visits at reasonable times to review project accomplishments and management control systems and to provide technical assistance, if required. The grantee is expected to provide reasonable access to facilities, office space, resources and assistance for the safety and

convenience of the government representatives in the performance of their duties. All site visits and evaluations shall be performed in a manner so as not to unduly interfere with or delay the work.



**Department of Energy**  
Washington, DC 20585

**SEP PROGRAM NOTICE 10-008C**  
**EFFECTIVE DATE (Revised): March 14, 2011**  
**ORIGINALLY ISSUED: December 7, 2009**

**SUBJECT: GUIDANCE FOR STATE ENERGY PROGRAM GRANTEES ON FINANCING PROGRAMS.**

**PURPOSE**

To provide guidance to the Department of Energy's (Department or DOE) State Energy Program (SEP) grantees on financing programs. This guidance supersedes SEP Program Notice 10-008B, which was issued on August 10, 2010.

**SCOPE**

The provisions of this guidance apply to grantees of SEP funds, pursuant to Formula Grant or American Recovery and Reinvestment Act of 2009 (Recovery Act).

**LEGAL AUTHORITY**

SEP is authorized under the Energy Policy and Conservation Act, as amended (42 U.S.C. § 6321 et seq.) All grant awards made under this program shall comply with applicable law including the Recovery Act and other procedures applicable to this program.

**GUIDANCE**

**Eligibility of revolving loan funds**

A revolving loan fund is an eligible use of funds under the SEP Program to the extent that the activities supported by the loans are eligible activities under the program. The implementing regulations for SEP expressly identify revolving loan funds as an eligible use of SEP funds. 10 CFR 420.18(d).

**Leveraging Funds under the SEP: Purpose and Type of Leveraging under SEP**

Grantee arrangements for leveraging additional public and private sector funds, including rebates, grants, and other incentives, must be arranged to ensure that federal funds go to support eligible activities listed in 42 USC 6322(d)(5)(A). The leveraging of funds may be accomplished through mechanisms such as partnerships with third party lenders, co-lending, third party administration of loans, and loan loss reserves.

### **Loan Loss Reserves under the SEP**

SEP funds may be used for a loan loss reserve to support loans made with private and public funds and to support a sale of loans made by a grantee or third-party lenders into a secondary market, subject to the following conditions. In order to ensure that a use of SEP funds to leverage additional public and private sector funds furthers the stated purposes of SEP, the activities supported by the leveraged funds are limited to those activities specifically listed as eligible activities in the SEP regulations. Additionally, a grantee must ensure that the following conditions are met:

- a) a grantee shall have the right to review and monitor loans provided by third party lenders to ensure that loans are being made for the “purchase and installation of energy efficiency and renewable energy measures” and comply with all conditions of ARRA funds (e.g., Davis Bacon, Buy American and NEPA) where applicable;
- b) a grantee establishing a loan loss reserve has no legal or financial obligation beyond the funds committed to the reserve and is not subject to further recourse in the event losses exceed the amount of the reserve;
- c) any SEP funds used to establish a loan loss reserve not used in connection with loan losses paid to third party lenders or secondary market investors must be used by or at the direction of the grantee and for an eligible use under the SEP Program, including capitalization of a RLF; and
- d) under no circumstances shall SEP funds be released to a third party lender or secondary market investor for any purpose not pertaining to loan losses.

A grantee cannot use more than 50% of their SEP funds for loan loss reserves.

### **Interest Rate Buy-Downs**

SEP funds may be used for interest rate buy-downs subject to the conditions identified in this section. An interest rate buy-down is when one party (e.g., grantee) provides a lump-sum payment based on the net present value of the difference between a target return to the lender or loan investor and the borrower’s interest rate. This has two primary purposes: (1) increase project affordability and demand by reducing monthly payments and (2) maintaining or increasing lender / investor interest in making loans by yielding higher returns.

In order to ensure that a use of SEP funds for interest rate buy-downs furthers the stated purposes of SEP, the loans supported by the interest rate buy-downs must be for the purchase and installation of energy efficiency and renewable energy measures consistent with the SEP regulations.

### **Third Party Loan Insurance**

SEP funds may be used for the purchase of third party loan insurance subject to the conditions identified in this section. Third party loan insurance is a financial arrangement whereby a third party bears some portion (or all) of a loss on a specific portfolio. This typically takes the form of a lender or investor purchasing an insurance policy from a third party against losses on a portfolio of loans up to a fixed percentage (the stop loss) of the sum of all the original loan amounts. The maximum insurance payout is determined by the value of the portfolio and not the value of individual loans.

In order to ensure that a use of SEP funds for third party loan insurance furthers the stated purposes of SEP, the loans supported by the third party loan insurance must be for the purchase and installation of energy efficiency and renewable energy measures consistent with the SEP regulations.

### **Obligation & Drawing Down of Funds**

#### Revolving loan funds (RLF)

##### *Obligation*

Program monies advanced for a RLF are considered obligated by the grantee once they have been used to capitalize a RLF. A RLF may be capitalized in any of the following circumstances:

- a) Receipt of a loan application from potential borrowers;
- b) State or local requirements (regulatory, statutory, or constitutional) dictate that funds be available in advance;
- c) The distribution account is operated by a third party; or
- d) If grantee establishes and operates RLF, funds would be considered obligated by the grantee upon submitting a letter to the Project Officer and receiving a confirmation response from the Project Officer. The letter must: (1) provide the strategy for the RLF and (2) identify the scope and size of the loan program.

##### *Draw Down*

Funds may be drawn down from the Department of the Treasury's Automated Standard Application for Payments (ASAP) system to fund the revolving loan fund at the time the fund is obligated. ASAP is the system by which grantees receiving financial assistance from DOE can draw down the funds that have been pre-authorized by the agency for payment. If a grantee requires a draw down under requirements "b" or "c" listed above, the grantee should document the relevant requirement and provide that documentation to their Project Officer.

##### *Expenditure*

Self-administered: Funds are considered fully expended (outlaid) for grantees operating an RLF when the RLF has loaned to specific borrowers for an amount equal to or greater

than the SEP funds that initially capitalized the fund. The value of loans issued in any reporting quarter is to be reported as expenditures (outlays) for that quarter.

Third party-administered: For revolving loan funds administered by a third party, grantee funds are considered expended (outlaid) when the funds are transferred to the third party for operation of the RLF. Funds transferred to a third party administrator in any reporting quarter are to be reported as expenditures (outlays) for that quarter.

If an RLF is administered by the grantee, all funds must be loaned out (initial round of funding) within the timeframe specified in the terms and conditions of the award agreement; converted for use of approved program activities after submitting and finalizing an amendment through a DOE Project Officer; or returned to DOE.

If an RLF is administered by a third party (subgrantee or vendor), all funds should be loaned to specific borrowers (initial round of funding) within the timeframe specified in the terms and conditions of the award agreement; converted for use of approved program activities after submitting and finalizing an amendment through a DOE Project Officer; or returned to DOE.

Regardless of whether an RLF is administered by a grantee or a subgrantee, if the RLF does not loan out funds for eligible activities under the program then DOE may take an enforcement action against the grantee and/or subgrantee, as applicable, for noncompliance of the terms of the award agreement and disallow all or part of the cost of the activity or action not in compliance or other allowable remedies against the grantee and/or subgrantee, as applicable. 10 CFR 600.243

#### Loan loss reserves

##### *Obligation*

Loan loss reserve funds are considered obligated when they are committed as a credit enhancement to support a loan or portfolio of qualifying loans under the SEP guidelines.

For loan loss reserves supporting a new or existing Recovery Act or non-Recovery Act funded financing program operated by the grantee, loan loss reserve funds are considered obligated by sending a letter to the Project Officer indicating the establishment of the loan loss reserve.

For loan loss reserves supporting third party loans, loan loss reserve funds are considered obligated when the grantee enters into a signed agreement with the third party.

##### *Draw Down*

Once loan loss reserve funds have been obligated the funds may be drawn down from ASAP.



*Expenditure*

Self-administered: Loan loss reserve funds are considered expended after they have met the above requirements for obligation, the grantee has drawn down funds from the ASAP system to fund the loan loss reserve account and committed them to support (a) individual loans or (b) a portfolio of loans that a third-party commits to issue. The value of funds committed to support loans in any reporting quarter is to be reported as expenditures (outlays) for that quarter.

Third party-administered: For loan loss reserve funds operated by a third party, the grantee's funds are considered expended when they are transferred to the third party for operation of the fund.

Interest rate buy-downs and third party loan insurance

*Obligation*

Funds for interest rate buy-downs and third party loan insurance are considered obligated by the grantee once they have been committed to support a loan or loan program. These funds may be committed in any of the following circumstances:

- a) Receipt of a loan application from potential borrowers;
- b) Where state or local requirements (regulatory, statutory or constitutional) dictate that funds be available in advance;
- c) When the grantee enters into a signed agreement with the third party to support an ongoing loan program with interest rate buy-downs or third party loan insurance; or
- d) The distribution account is operated by a third party and the grantee enters into an agreement with the third party.

*Draw Down*

Funds may be drawn down at the time they are committed to an interest rate buy-down program or third party loan insurance. If a grantee requires a draw down under requirements "b" through "c" listed above, they should document the relevant requirement and provide that documentation to their Project Officer.

*Expenditure*

Interest rate buy-downs and third party loan insurance are considered expended after they have met the above requirements for obligation and the grantee has funded the buy-down or insurance and should be reported as such.

### **Loan Defaults**

Grantees are not required by DOE to replenish or replace any amounts which were lost to loan default. Loans involve risk by their very nature, therefore loss due to default of a borrower is an anticipated and allowable cost under an SEP grant. Grantees should utilize prudent lending practices to minimize the risk of defaults.

### **“Close Out” of Financing Programs**

Grantees may end or reduce funding for a RLF program, loan loss reserve program, or other eligible financing program at any time as long as any remaining funds are used by the grantee for an eligible purpose after submitting and finalizing an amendment through the DOE Project Officer. Alternatively, the funds may be returned to DOE.

### **Interest Income from Advances**

Any interest earned on funds which have been drawn down but not expended (outlaid) by a State grantee may be rolled back into the RLF, loan loss reserve account, interest rate buy downs or third party loan insurance; used for another approved, eligible activity; or returned to the federal government and is subject to the terms and conditions of its original grant. See 31 CFR 205.15 and 205.25; 10 CFR 600.225(g).

### **Program Income**

All program income (including interest earned) paid to grantees is subject to the terms and conditions of the original grant. See 10 CFR 600.225(g)

### **Federal Requirements Applicable to Financing Programs**

Generally, federal funds used to capitalize a RLF or fund loan loss reserves, interest rate buy downs and third party loan insurance maintain their federal character in perpetuity. As a result, federal requirements that apply to the funds such as the National Environmental Protection Act (NEPA) and the National Historic Preservation Act (NHPA) would be applicable at each revolution of the RLF or on any residual funds from loan loss reserves. Federal requirements that apply to Recovery Act funds, such as the Davis-Bacon Act (DBA) requirements, Buy American provision requirements, and Recovery Act reporting requirements would be applicable at each revolution of a RLF or on any residual funds from loan loss reserves that were funded through the Recovery Act.

The grantees who administer financing programs can expedite compliance with these statutory requirements.

### **NEPA**

#### *Revolving Loan Funds*

If the grantee uses the SEP NEPA Template that DOE has provided to grantees to obtain categorical exclusions under NEPA, then DOE can complete a NEPA review for entire RLF programs without having to later conduct a NEPA review of individual projects.

### *Loan Loss Reserves*

Recovery Act-funded loan loss reserves can occur in three phases:

1. DOE expends Recovery Act funds that are used to establish and capitalize a grantee's loan loss reserve account;
2. A grantee approves an application from a third party lender requesting coverage from a loan loss reserve to support a loan or a portfolio of qualifying loans (in this case, commitment of a loan loss reserve); and
3. A grantee draws funds from the loan loss reserve account to pay third parties for the financing of privately-funded projects, in the event of a loan default.

DOE does not need to complete a NEPA review in advance of phase (1) above. However, DOE must complete a NEPA review for this loan loss reserve activity prior to phase (2) above, at the latest. To that end, DOE must complete a NEPA review before SEP grantees commit funds to cover a third party's loans. While the requirements of DBA and the Buy American provision do not apply during phase (1), such requirements apply prior to phase (2) above.

For instances in which grantees intend to use SEP funding for loan loss reserves supporting underlying projects that do *not* qualify for a categorical exclusion (CX) determination (*e.g.*, large, commercial-scale geothermal or wind projects), DOE will typically have to complete a NEPA review for the individual proposed projects. At the time that a third party lender applies to the grantee for coverage from a loan loss reserve, the grantee must identify the project(s) that will receive the loan. DOE will then commence a NEPA review of such project(s), which will most likely result in an Environmental Assessment or Environmental Impact Statement. A grantee cannot approve third party loans for coverage under the loan loss reserve program until DOE completes a NEPA review for particular projects that benefit from the loan loss reserve. Should the project proponent move forward with activities that are not authorized for Federal funding by the DOE Contracting Officer in advance of the final NEPA determination, you are doing so at risk of not receiving Federal funding and such costs may not be recognized as allowable cost share.

Even in those instances in which DOE must complete a NEPA review for individual projects that do not qualify for a CX determination, DOE may be able to expedite the NEPA review process by using a single NEPA document for multiple, similar projects. Also, if the total amount of Federal financial assistance (including federal funding reserved for the loss on the loan) for a project is less than 10 percent of project costs, then the grantee should consult with DOE about whether DOE will have to prepare a NEPA determination for the project.

For grantees that anticipate seeking approval for loan loss reserves that support

projects which cannot obtain a CX determination, DOE encourages such grantees to submit a complete project description simultaneously with the third party lender application for a credit enhancement. Otherwise, DOE may condition its approval of the loan loss reserve on a NEPA review and that conditional approval may serve as an insufficient guarantee to the lender.

#### Categorical Exclusions

**Grantees should consider restricting their financing programs to activities categorically excluded from NEPA review (e.g., including this restriction in any third party loan loss reserve contracts).**

For further information about the SEP NEPA Template, please review guidance that DOE has previously issued on streamlining compliance with NEPA. That guidance and the SEP NEPA Template itself can be found at [http://www1.eere.energy.gov/wip/pdfs/nepa\\_program\\_guidance\\_notice\\_10-003.pdf](http://www1.eere.energy.gov/wip/pdfs/nepa_program_guidance_notice_10-003.pdf) and [http://www1.eere.energy.gov/wip/pdfs/template\\_nepa\\_review.pdf](http://www1.eere.energy.gov/wip/pdfs/template_nepa_review.pdf), respectively. Further, assuming that DOE exercises no control over projects that receive loans from a RLF, DOE *may* not have to prepare a NEPA determination for a project if the total amount of Federal funding for the project is less than 10 percent of project costs.

#### Historic Preservation, DBA, and Buy American

DOE has worked with the Advisory Council on Historic Preservation to provide States with programmatic agreements in order to streamline compliance with the NHPA requirements.

Individual homeowners receiving loans under a RLF program or supported by Recovery Act-funded credit enhancements (e.g., loan loss reserves, interest rate buy downs, third party loan insurance) would not be required to comply with the DBA. Grantees may wish to consider restricting their financing programs to activities for which compliance is not required under the DBA.

Neither loan loss reserve funds nor third party loan Insurance are subject to the DBA, because the funds are not being loaned/used for construction/installation work. Providing that the loan loss reserve fund is used only for the purposes of providing a fund for the third party lender in the event of default by the borrower, the DBA is not applicable to the loan loss reserve fund.

Also, provided that the third party loan insurance is used only for the purpose of providing a lender or investor purchasing an insurance policy from a third party against losses on a portfolio of loans up to a fixed percentage (the stop loss) of the sum of all the original loan amounts, the DBA is not applicable to the third party loan insurance.

DBA does apply to interest rate buy downs when the interest rate buy down is for a loan to a corporate entity to support construction/installation work for eligible activities under SEP.

Loan loss reserve funds are used to protect the third party lender in the event of a default. The third party lender obtains reimbursement from a loan loss reserve fund only in the event of a default by the borrower. Loan loss reserve funds are not used for the construction, alteration, maintenance or repair of a public building or public work. Therefore, the Buy American provisions of the Recovery Act do not apply to loan loss reserve funds.

Similarly, the Buy American provision requirements apply to “public buildings” and “public works” and thus would not be applicable to projects performed on homes owned by individuals.

**Grantee Reporting of Financial Programs**

Following close of the Recovery Act award period, DOE intends to require basic reporting to confirm the funds are being used in accordance with their federal character. After the close of the Recovery Act award period, grantees with funds remaining in financing programs would prospectively be required to report basic information on the program on an annual basis until the funds are either: (1) rolled into another eligible activity and expended; or (2) fully expended through default.

Pursuant to Section 210(c) of OMB Circular A-133, third party lenders should generally be characterized as vendors providing financial services. As such, third party lenders (e.g., commercial banks) would not be required to report any information directly to DOE. Prime grantees would retain reporting authority and would not delegate any reporting responsibility to the third party lenders.



LeAnn M. Oliver  
Program Manager  
Weatherization and Intergovernmental Program  
Energy Efficiency and Renewable Energy

Connecticut Clean Energy Fund  
ARRA Budget to Actual Analysis  
Through September 30, 2011  
Source: Quarterly Reports submitted to OPM

		Budget		Expenditures		Unspent	% Unspent
		Solar Thermal	Solar Thermal	Solar Thermal	Solar Thermal		
a	Personnel	\$ 243,159	\$ 153,850	\$ 89,309			37%
b	Fringe Benefits	\$ 134,673	\$ 85,209	\$ 49,464			37%
c	Travel	\$ 20,000	\$ -	\$ 20,000			100%
d	Equipment	\$ -	\$ -	\$ -			
e	Supplies	\$ -	\$ -	\$ -			
f	Contractual	\$ 3,558,400	\$ 1,084,187	\$ 2,474,213			70%
g	Construction	\$ -	\$ -	\$ -			
h	Other	\$ -	\$ -	\$ -			
i	<b>Total Direct Charges (a-h)</b>	\$ 3,956,232	\$ 1,323,246	\$ 2,632,986			67%
j	Indirect Charges	\$ 43,768	\$ 27,101	\$ 16,667			38%
k	<b>Totals (i-j)</b>	\$ 4,000,000	\$ 1,350,347	\$ 2,649,653			66%

		Budget		Expenditures		Unspent	% Unspent
		Geo Thermal	Geo Thermal	Geo Thermal	Geo Thermal		
a	Personnel	\$ 276,841	\$ 179,712	\$ 97,129			35%
b	Fringe Benefits	\$ 153,327	\$ 99,524	\$ 53,803			35%
c	Travel	\$ 20,000	\$ -	\$ 20,000			100%
d	Equipment	\$ -	\$ -	\$ -			
e	Supplies	\$ -	\$ -	\$ -			
f	Contractual	\$ 4,500,000	\$ 1,801,376	\$ 2,698,624			60%
g	Construction	\$ -	\$ -	\$ -			
h	Other	\$ -	\$ -	\$ -			
i	<b>Total Direct Charges (a-h)</b>	\$ 4,950,168	\$ 2,080,612	\$ 2,869,556			58%
j	Indirect Charges	\$ 49,832	\$ 31,665	\$ 18,167			36%
k	<b>Totals (i-j)</b>	\$ 5,000,000	\$ 2,112,277	\$ 2,887,723			58%

		Budget		Expenditures		Unspent	% Unspent
		Fuel Cell	Fuel Cell	Fuel Cell	Fuel Cell		
a	Personnel	\$ -	\$ -	\$ -			
b	Fringe Benefits	\$ -	\$ -	\$ -			
c	Travel	\$ -	\$ -	\$ -			
d	Equipment	\$ -	\$ -	\$ -			
e	Supplies	\$ -	\$ -	\$ -			
f	Contractual	\$ 8,000,000	\$ 2,150,000	\$ 5,850,000			73%
g	Construction	\$ -	\$ -	\$ -			
h	Other	\$ -	\$ -	\$ -			
i	<b>Total Direct Charges (a-h)</b>	\$ 8,000,000	\$ 2,150,000	\$ 5,850,000			73%
j	Indirect Charges	\$ -	\$ -	\$ -			
k	<b>Totals (i-j)</b>	\$ 8,000,000	\$ 2,150,000	\$ 5,850,000			73%

**Near Term Expenditures**  
**12/23/11** UConn --- \$500,000  
**01/05/12** N. Haven --- \$450,000  
**01/05/12** ECSU --- \$400,000

		Budget		Expenditures		Unspent	% Unspent
		PV	PV	PV	PV		
a	Personnel	\$ -	\$ -	\$ -			
b	Fringe Benefits	\$ -	\$ -	\$ -			
c	Travel	\$ -	\$ -	\$ -			
d	Equipment	\$ -	\$ -	\$ -			
e	Supplies	\$ -	\$ -	\$ -			
f	Contractual	\$ 3,000,000	\$ 210,145	\$ 2,789,855			93%
g	Construction	\$ -	\$ -	\$ -			
h	Other	\$ -	\$ -	\$ -			
i	<b>Total Direct Charges (a-h)</b>	\$ 3,000,000	\$ 210,145	\$ 2,789,855			93%
j	Indirect Charges	\$ -	\$ -	\$ -			
k	<b>Totals (i-j)</b>	\$ 3,000,000	\$ 210,145	\$ 2,789,855			93%

**Grand Totals:** \$ 20,000,000 \$ 5,822,769 \$ 14,177,231 71%

**Clean Energy Finance and Investment Authority**  
**Comparison of FY 2012 Actual to Budget**  
**Table of Contents**  
**For the four months ended October 31, 2011**

<b>Page</b>	<b>Title</b>
1	Statement of Net Assets
2	Statement of Revenues, Expenditures and Changes in Net Assets
3	Statement of Cash Flows
4	Commitment Analysis

**Clean Energy Finance and Investment Authority**

**Comparison of FY 2012 Actual to Budget**

**Statement of Net Assets**

as of October 31, 2011

(000's)

	<u>Actual</u>	<u>Budget</u>	<u>(Under) Over Budget</u>	<u>%</u>
<b><u>Assets</u></b>				
Cash and cash equivalents (Unrestricted)	\$ 60,999.3	\$ 48,365.6	\$ 12,633.7	26%
Cash and cash equivalents (Restricted-ARRA)	\$ 2,053.4	\$ 2,053.4	\$ (0.0)	
Investments - equity	\$ 1,709.8	\$ 1,013.0	\$ 696.8	69%
Investments-REC's	\$ 1,429.9	\$ 1,250.0	\$ 179.9	14%
Solar lease notes (net of allowance of \$273k)	\$ 11,309.9	\$ 12,128.0	\$ (818.2)	-7%
Utility receivables	\$ 1,950.0	\$ 2,000.0	\$ (50.0)	-2%
Other assets	\$ 79.3	\$ 145.0	\$ (65.7)	-45%
<b>Total assets</b>	<b>\$ 79,531.5</b>	<b>\$ 66,955.0</b>	<b>\$ 12,576.5</b>	<b>19%</b>
 <b><u>Liabilities and Net Assets</u></b>				
<b>Liabilities</b>				
Accounts, grants payable and accrued expenses	\$ 705.2	\$ 635.0	\$ 70.2	11%
Deferred revenue-ARRA	\$ 2,000.0	\$ -	\$ 2,000.0	
<b>Net Assets:</b>				
Restricted	\$ 2,053.4	\$ 2,053.4	\$ -	
Unrestricted	\$ 74,772.9	\$ 64,266.6	\$ 10,506.3	16%
<b>Total Net Assets</b>	<b>\$ 76,826.3</b>	<b>\$ 66,320.0</b>	<b>\$ 10,506.3</b>	<b>16%</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 79,531.5</b>	<b>\$ 66,955.0</b>	<b>\$ 12,576.5</b>	<b>19%</b>



**Clean Energy Finance and Investment Authority**

**Comparison of FY 2012 Actual to Budget**

**For the four months ended October 31, 2011**

**Detail Statement of Revenues, Expenditures and Changes in Net Assets**

(000's)

	Actual	Budget	(Under) Over Budget	%
<b>Operating Revenues</b>				
Utility customer assessments	\$ 9,684.9	\$ 9,633.0	\$ 51.9	1%
Interest on deposits, investments	\$ 62.9	\$ 42.0	\$ 20.9	50%
Renewable Energy Credits, net of fees	\$ 29.1	\$ 25.0	\$ 4.1	16%
Interest Income - Solar Lease Notes, net of fees	\$ 28.4	\$ 40.0	\$ (11.6)	(29%)
RPS compliance penalty payments	\$ -	\$ 25.0	\$ (25.0)	(100%)
RGGI auction proceeds	\$ 192.5	\$ 900.0	\$ (707.5)	(79%)
Other income	\$ 4.6	\$ 15.0	\$ (10.4)	(69%)
Total revenues:	\$ 10,002.5	\$ 10,680.0	\$ (677.5)	(6%)
<b>Operating Expenses and Program Expenditures</b>				
Compensation				
-Salaries	\$ 670.4	\$ 768.0	\$ (97.6)	(13%)
-Benefits	\$ 422.4	\$ 476.0	\$ (53.6)	(11%)
Consulting and professional fees				
- Legal	\$ 33.8	\$ 22.0	\$ 11.8	54%
- Accounting	\$ 1.1	\$ -	\$ 1.1	
- Advisory fees	\$ 3.3	\$ 12.0	\$ (8.7)	(72%)
Marketing/External relations	\$ 33.8	\$ 40.0	\$ (6.2)	(15%)
Rent and location related expenses				
-Rent	\$ 47.2	\$ 48.0	\$ (0.8)	(2%)
-General Liability/P&C insurance	\$ 2.6	\$ 3.0	\$ (0.4)	(12%)
-Telephone/Communications	\$ 7.6	\$ 10.0	\$ (2.4)	(24%)
-Equipment & storage space rental	\$ 13.3	\$ 16.0	\$ (2.7)	(17%)
Office, computer & other expenses				
-Office expense	\$ 12.7	\$ 13.0	\$ (0.3)	(2%)
-Computer operations	\$ 8.6	\$ 8.0	\$ 0.6	7%
-Subscriptions	\$ 2.4	\$ 11.0	\$ (8.6)	(79%)
-Training and education	\$ 8.8	\$ 11.0	\$ (2.2)	(20%)
Temporary employees	\$ 26.1	\$ 17.0	\$ 9.1	54%
Directors & officers insurance	\$ 8.2	\$ 8.0	\$ 0.2	3%
Travel & related expenses	\$ 12.6	\$ 15.0	\$ (2.4)	(16%)
Total operating expenses:	\$ 1,315.0	\$ 1,478.0	\$ (163.0)	(11%)
Program grants and expenditures	\$ 5,140.2	\$ 15,700.0	\$ (10,559.8)	(67%)
ARRA program expenditure reimbursements	\$ (509.9)	\$ (2,937.0)	\$ 2,427.1	(83%)
Total operating expenses and program expenditures:	\$ 5,945.3	\$ 14,241.0	\$ (8,295.7)	(58%)
Change in fund net assets before				
change in value of investments	\$ 4,057.1	\$ (3,561.0)	\$ 7,618.1	
Net realized gain (loss) on investments	\$ -	\$ -	\$ -	
Net increase (decrease) in fair value of investments	\$ (11.1)	\$ -	\$ (11.1)	
Change in net assets:	\$ 4,046.1	\$ (3,561.0)	\$ 7,607.1	
Net assets, beginning of the period:	\$ 72,780.2	\$ -	\$ 72,780.2	
Net assets, end of the period:	\$ 76,826.3	\$ (3,561.0)	\$ 80,387.3	

**Clean Energy Finance and Investment Authority**  
**Comparison of FY 2012 Actual to Budget**  
**For the three months ended October 31, 2011**  
**Statement of Cash Flows**

(000's)

	<u>Actual</u>	<u>Budget</u>	<u>(Under) Over Budget</u>	<u>%</u>
<b>Cash flows from operating activities</b>				
Utility customer assessments	\$ 10,418.1	\$ 9,633.0	\$ 785.1	8%
RECs/other income	\$ 58.0	\$ 25.0	\$ 33.0	132%
Proceeds from RGGI auctions	\$ 522.3	\$ 900.0	\$ (377.7)	(42%)
Proceeds from ARRA grants	\$ 684.9	\$ 2,800.0	\$ (2,115.1)	(76%)
Return of principal on investments	\$ 186.7	\$ 125.0	\$ 61.7	49%
Interest on deposits, investments, solar lease notes	\$ 226.6	\$ 42.0	\$ 184.6	440%
Cash paid for grants and programs	\$ (6,479.2)	\$ (15,700.0)	\$ (9,220.8)	59%
Cash paid for general & admin expense	\$ (1,675.6)	\$ (2,840.0)	\$ (1,164.4)	41%
Purchase of solar lease notes	\$ (788.1)	\$ (2,000.0)	\$ (1,211.9)	61%
 Net change in cash and cash equivalents	 \$ 3,153.6	 \$ (7,015.0)	 \$ 10,168.6	 (145%)
 Cash and cash equiv., beginning of period	 \$ 59,899.0	 \$ 57,434.0	 \$ 2,465.0	
 Cash and cash equiv., end of period	 <u>\$ 63,052.7</u>	 <u>\$ 50,419.0</u>	 <u>\$ 12,633.7</u>	 25%

**Clean Energy Finance and Investment Authority  
Commitment Analysis  
As of October 31, 2011**

	<b>General</b>	<b>RGGI</b>	<b>RGGI-CMEEC</b>	<b>Total</b>
Unrestricted cash balance as of October 31, 2011	\$ 52,244,042	\$ 8,011,599	\$ 743,637	\$ 60,999,278
Unfunded commitments as of 10/31/2011 ( see analysis below ):	\$ (25,470,971)	\$ (3,418,032)	\$ (186,317)	\$ (29,075,320)
Cash available as of 10/31/2011 to fund future programs and fund operations	\$ 26,773,071	\$ 4,593,567	\$ 557,320	\$ 31,923,958

**Unfunded grant & financial assistance programs commitments  
as of October 31, 2011:**

Project 150 & Pre-Development Program				
Project 150	\$ 10,244,289	\$ -	\$ -	
Predevelopment program	\$ 458,603	\$ -	\$ -	
Strategic Investment Program	\$ 340,000	\$ -	\$ -	
CI&I On Site Generation Program - Solar				
Commercial solar program	\$ 1,485,901	\$ -	\$ -	
Not for Profit/Municipal solar program	\$ 758,538	\$ 3,418,032	\$ -	
Residential (Small Solar) rebate program	\$ 1,336,255	\$ -	\$ -	
Affordable housing solar program	\$ -	\$ -	\$ -	
Solar Lease Program rebates&notes not funded	\$ 3,831,758	\$ -	\$ -	
CI&I On Site Generation Program - Fuel Cell	\$ 4,185,125	\$ -	\$ -	
CI&I On Site Generation Program - Wind	\$ 82,250	\$ -	\$ -	
CI&I On Site Generation Program - Other	\$ 432,785	\$ -	\$ -	
Operational Demonstration Program	\$ 1,318,181	\$ -	\$ -	
Education & Outreach	\$ 274,086	\$ -	\$ -	
Education & Outreach-Communities Program Earned not Contracted	\$ 723,200	\$ -	\$ -	
CMEEC RGGI projects	\$ -	\$ -	\$ 186,317	
	<u>\$ 25,470,971</u>	<u>\$ 3,418,032</u>	<u>\$ 186,317</u>	
		<u>\$ 28,889,003</u>	<u>\$ 29,075,320</u>	



# Memo

**To:** Board of Directors, Clean Energy Finance and Investment Authority

**From:** Bryan Garcia

**Date:** November 16, 2011

**Re:** MOU between CEFIA and CI regarding Office Space and Administrative Support Services

---

I have enclosed a proposed MOU between CEFIA and CI regarding Office Space and Administrative Support Services. This document represents a collaboration between the President and Executive Director of CI, and myself and was drafted with the assistance of outside counsel. This document may be amended from time to time to reflect changes in the operations of both entities. This MOU is also being presented to the CI Board at its meeting on November 21<sup>st</sup> for approval.

I am requesting that the Board approve the following resolution:

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



**MEMORANDUM OF UNDERSTANDING**  
**RE**  
**OFFICE SPACE AND ADMINISTRATIVE SUPPORT**  
**FOR THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**

**THIS MEMORANDUM OF UNDERSTANDING** (this “MOU”) is entered into as of November , 2011, by and between the **CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**, a quasi-public agency of the State of Connecticut created pursuant to the Act, as defined below (“CEFIA”), and **CONNECTICUT INNOVATIONS, INCORPORATED**, a quasi-public agency of the state of Connecticut created pursuant to Section 32-35 of the Connecticut General Statutes (“CI”).

**RECITALS**

**WHEREAS**, pursuant to Section 16-245n of the Connecticut General Statutes, as amended by Section 99 of Public Act No. 11-80 (the “Act”), CEFIA became the successor to CI as administrator of the Clean Energy Fund, as created by and defined in the Act, effective July 1, 2011;

**WHEREAS**, the Act provides that CEFIA shall exist within CI “for administrative purposes only”, and further provides that the operating expenses of the Clean Energy Fund and other permitted activities of CEFIA, including administrative expenses incurred by CI, may be reimbursed from amounts available in the Clean Energy Fund upon authorization of the Board of Directors of CEFIA;

**WHEREAS**, pursuant to the Act and the provisions of Section 4-38d of the Connecticut General Statutes made applicable by the Act, the employees of CI whose functions were dedicated to the operation of the Clean Energy Fund and the other programs and initiatives authorized by the Act have been assigned and transferred to the employment of CEFIA;

**WHEREAS**, CI, as tenant, and New Boston Flex, LLC, as landlord (the “Landlord”) are parties to a Lease Agreement dated as of January 15, 2010 (the “CI Lease”), pursuant to which CI leases a portion of the first floor of a building located at 865 Brook Street, Rocky Hill, Connecticut containing 16,584± square feet, as depicted on Exhibit A to the CI Lease as the same may be expanded pursuant to the CI Lease, (the “Leased Space”);

**WHEREAS**, approximately fifty percent (50%) of the Leased Space has been and is occupied and/or used by CEFIA and its employees to carry out the operations of CEFIA;

**WHEREAS**, in order to realize certain cost savings and operating efficiencies, and consistent with the location of CEFIA within CI “for administrative purposes” as provided in the Act, CEFIA employees and operations are to remain located within the Leased Space, and certain administrative and office support functions for CEFIA and such employees will continue to be provided by CI and its employees;

**WHEREAS**, CI’s investment team has valuable experience in the evaluation, negotiation, closing, administration and management of equity investments, or investments with equity characteristics, in technology companies, including for purposes of research and development, and CEFIA expects that in execution of the Comprehensive Plan (as defined below) it will provide funding from the Clean Energy Fund or other available sources for research and development of clean energy technologies;

**WHEREAS**, to avoid duplication at CEFIA of expertise available at CI, and to realize efficiencies and costs savings available through shared use of the resources and expertise of CI’s investment team, CEFIA has requested that the administrative services to be provided by CI under this MOU include support for CEFIA’s investment activities relating to clean energy technologies, and at the request of CI, CEFIA is prepared to make its technical expertise available to CI’s investment team when providing such investment services to CEFIA or in connection with CI’s own investments;

**WHEREAS**, CEFIA and CI wish to evidence their understanding as to (i) the shared use and occupancy of the Leased Space, (ii) the scope of administrative support and services to be provided by CI to CEFIA as administrator of the Clean Energy Fund, and (iii) the basis on which CI will be reimbursed from the Clean Energy Fund, or other monies legally available therefor, for the expenses incurred by CI in providing the Leased Space and such administrative support and services;

**WHEREAS**, this MOU has been approved by the Boards of Directors of CI and CEFIA, and therefore constitutes the authorization required by the Act of the reimbursement to CI from the Clean Energy Fund or other funds legally available to CEFIA for such purposes of the expenses of the Leased Space and the administrative support and services provided by CI pursuant to this MOU;

**NOW, THEREFORE**, in consideration of the foregoing and in reliance of the mutual promises made herein, CEFIA and CI agree as follows:

**1. Effective Date; Transition Period Costs; Term.**

1.1 Effective Date. CEFIA was created by the Act effective July 1, 2011, and the Act provides that as of that date CEFIA became the successor agency to CI in accordance with Section 4-38d of the General Statutes for the purpose of administering the Clean Energy Fund, to be located for administrative purposes within CI.

The parties therefore agree that, consistent with the Act, the effective date of the provisions of this MOU shall be July 1, 2011.

1.2 Transition Period Costs. It was necessary for CI to incur certain expenses on behalf of and for the account of CEFIA between July 1, 2011 and the date of execution of this MOU in order to provide for the organization of CEFIA and to prepare necessary documents, including a Resolution of Purpose, Bylaws and Operating Procedures, to be presented to initial meetings of the CEFIA Board once board members had been appointed. CEFIA acknowledges and agrees that such expenses may be paid by CI and charged to CEFIA upon the approval of the CEFIA President, and that the prior payment by CI for the account of CEFIA of any such expenses is hereby ratified and confirmed.

1.3 Term. This MOU shall continue in effect until the earlier of (a) the written agreement of CI and CEFIA to terminate this MOU; (b) a change in law with the result that CEFIA is no longer located within CI for administrative purposes; or (c) the relocation of CEFIA to space other than the Leased Premises, provided that the provisions of Section 10.2(h) shall survive such relocation.

2. Definitions. As used in this MOU, the following capitalized terms shall have the meanings indicated below:

“Act” is defined in the Recitals.

“CEFIA Board” means the board of directors of CEFIA established by the Act.

“CEFIA President” means the president and chief executive officer of CEFIA appointed by the CEFIA Board pursuant to the Act, or such other officer of CEFIA who at the time may be performing the functions of the president and chief executive officer pursuant to the Bylaws of CEFIA or applicable law.

“CI Board” means the board of directors of CI established by Section 32-37 of the General Statutes.

“CI Executive Director” means the executive director appointed by the CI Board pursuant to Section 32-38 of the General Statutes, or such other officer of CI who at the time may be performing the functions of the executive director pursuant to the Bylaws of CI or applicable law.

“CI Lease” is defined in the Recitals.

“Common Areas” is defined in Section 10.

“Comprehensive Plan” means the comprehensive plan developed by CEFIA pursuant to Section 16-245n(c) of the General Statutes, as amended by the Act.



“Fiscal Year” means the period from July 1 of a year to June 30 of the following year.

“General Statutes” means the Connecticut General Statutes and all amendments thereto.

“Leased Space” is defined in the Recitals.

“ROFO” is defined in Section 10.

“ROFO Area” is defined in Section 10.

“U&O Costs” is defined in Section 10.

### **3. Accommodation of CEFIA Board and Committee Meetings.**

3.1 CEFIA Board and Committee Meetings. CI shall make its “board room” and other suitable conference rooms available for meetings of the CEFIA Board, committees of the CEFIA Board, and CEFIA advisory committees, subject to reasonable rules regarding availability and advance booking of such spaces. In connection with such meetings, CI shall provide any necessary staff and administrative support for meeting set-up, audio-visual requirements, conference telephone and video-conference arrangements, and food and beverage service.

3.2 FOIA Public Meeting Requirements. CEFIA through its own employees will prepare, post, submit and distribute meeting schedules, meeting notices and meeting agendas, will prepare and post meeting minutes, and will otherwise be responsible for the compliance of CEFIA Board, Board Committee and Board Advisory Committee meetings with the public meeting requirements of the Connecticut Freedom of Information Act.

3.3 Other CEFIA Meetings. CI will also make available to CEFIA for its use in connection with staff meetings, meetings with applicants, and other business purposes of CEFIA, the “board room” and other available conference rooms, subject to reasonable rules regarding the availability and advance booking of such spaces.

3.4 Meeting Costs. There will be no separate cost reimbursement to CI for the use of such conference facilities and any CI staff support pursuant to this Section 3, but any out-of-pocket costs incurred by CI in connection with the hosting of such meetings shall be reimbursed by CEFIA to CI at cost.

### **4. Accounting Functions.**

4.1 Accounting Services Generally. CI shall provide to CEFIA all accounting services necessary to properly account, in accordance with applicable accounting principles, for the operations and financial position of the Clean Energy Fund

and CEFIA, including all necessary recordkeeping and financial reporting, including such financial information as may be necessary for reports to the General Assembly or committees thereof, the State Comptroller, or any other state office or agency, as may be required by law. CEFIA will be responsible for the actual preparation and filing of reports to the General Assembly or committee thereof or any other state office or agency. CI will be responsible for the actual preparation and filing of the annual audit report with the State Comptroller and compliance with federal “single audit” requirements applicable as a result of CEFIA’s receipt of federal funding.

4.2 Chief Financial Officer and Staff Support. Until such time as the CEFIA Board may determine otherwise, the Chief Financial Officer of CI shall also act as the Chief Financial Officer of CEFIA. Under the supervision of the Chief Financial Officer, other CI accounting staff shall perform all necessary CEFIA accounting and financial functions, including financial control functions, necessary to the proper operation and administration of CEFIA and the Clean Energy Fund, including payroll functions, purchasing, accounts payable and receivable and maintenance of book and records consistent with applicable accounting principles or as required to meet statutory or other legal reporting requirements.

4.3 Use of Independent Accountants. Until such time as the CEFIA Board may determine otherwise, and absent a disqualifying conflict of interest, the independent accountants engaged by CI shall also continue to provide outside accounting and auditing services to CEFIA.

4.4 Accounting Principles. All calculations, accounting entries and other cost accounting matters pursuant to or arising under this MOU shall be consistent with applicable generally accepted accounting principles and applicable governmental accounting principles as consistently applied by CI with respect to CEFIA and the Clean Energy Fund, and applicable provisions of the Act. References in this MOU to “applicable accounting principles” shall be deemed to refer to this Section 4.

4.5 Accounting System Costs. Costs of CI employee time attributable to the accounting functions performed for CEFIA and of accounting systems and software used to support both CI and CEFIA shall be shared by CI and CEFIA in accordance with Section 9.

## **5. Human Resources Functions.**

5.1. Human Resources Services Generally. CI shall provide to CEFIA with respect to CEFIA employees the same scope and level of human resources and personnel administrative support and services as CI provides with respect to its own employees, including benefits administration, administration of employment policies, employee training and education, sexual harassment training, maintenance of personnel files and other employee information (subject to the same confidentiality and privacy requirements applicable to the personnel files and information of CI employees), and compliance with other legal requirements, including reporting requirements, applicable to

quasi-public agency employees; provided, however, that (a) CEFIA shall be responsible for the development and adoption of personnel policies for CEFIA employees, which are expected to be similar to the personnel policies of CI so as to permit consistency and efficiency in administration by CI, (b) the interpretation and enforcement of CEFIA personnel policies shall be the responsibility of CEFIA, and (c) CI shall have no responsibility for any losses, liabilities, damages, expenses or claims relating to the interpretation, enforcement or non-enforcement of such personnel policies with respect to CEFIA employees by or at the direction of CEFIA.

5.2 Personnel System Costs. Costs of CI employee time attributable to human resources functions performed for CEFIA and of personnel systems and software used to support both CI and CEFIA shall be shared by CI and CEFIA in accordance with Section 9.

## **6. Information Technology Functions.**

6.1 Computer Access and Use Generally. CI shall provide to CEFIA employees access to and use of CI's computer network, applications and databases for purposes of CEFIA operations, subject to such "firewalls" and password protection as may be appropriate to limit access (i) of CI employees to non-public documents and information received or maintained by CEFIA, and (ii) of CEFIA employees to non-public documents and information received or maintained by CI.

6.2 Telecommunications. CI shall provide to CEFIA employees access to telecommunications equipment, services and support, including voicemail, on the same basis and as part of the same telecommunications system as installed and maintained for the use of CI employees.

6.3 Remote Access. CI shall provide CEFIA employees designated by the CEFIA President remote access, remote access support, and remote access devices (*e.g.* "smart phones") of comparable functionality and quality to that provided to CI employees.

6.4 Administration of IT Policies. CI shall administer with respect to CEFIA employees such IT policies as are developed and adopted by CEFIA, provided the same do not conflict with CI IT policies to an extent that makes such administration impractical or unduly burdensome. Each of CI and CEFIA shall be responsible to the other for any loss, liability, damage, expense or claim caused by, or arising from, the non-compliance of its employees with the IT policies applicable to such employees, including with respect to IT security and use of IT equipment.

6.5 Cost Sharing. Costs of CI employee time attributable to the performance of IT functions for CEFIA and of computer, telecommunications and remote access devices and support shall be shared by CI and CEFIA in accordance with Section 9.

**7. Investment Functions.**

7.1 Investment Services. CI shall make the services of its investment team available to CEFIA for the purpose of evaluation, including appropriate due diligence, negotiation, documentation, closing, administration and management of such investments in clean energy technologies as may be identified, specifically or by type, in the Comprehensive Plan, or by the CEFIA Board or the CEFIA President consistent with the Comprehensive Plan. Such services shall be comparable in scope to the services provided by the CI investment team with respect to similar investments for CI's own account. Such support shall be as requested from time to time by the CEFIA President, but the services of the CI investment team shall be under the direction and control of the CI President. Any such investment made from the Clean Energy Fund or other monies legally available to CEFIA will be subject to approval by, or pursuant to resolutions of, the CEFIA Board.

7.2 CEFIA Technical Expertise. CEFIA shall make the technical expertise of its staff available to the CI investment team in connection with the provisions by CI of the investment services described in Section 7.1, above.

7.3 Investment Services Costs. Costs of CI employee time attributable to the performance of investment functions for CEFIA shall be subject to reimbursement in accordance with Section 9.

7.4 Technical Expertise Costs. Costs of CEFIA employee time attributable to the performance of technical expertise functions supporting CI's own investments shall be reimbursed by CI to CEFIA on the same basis as provided in Section 9 with respect to reimbursement of CI employee costs.

**8. Expenses of General Office Administration.** CI shall provide to CEFIA at cost general office services support, including mail room functions, receptionist function, file storage and retrieval, messenger services and similar general office services. Costs of such general services shall be shared by CI and CEFIA in accordance with Section 9.

**9. Cost Sharing and Reimbursement.**

9.1 Source of Payment. References in this MOU to payment or reimbursement by CEFIA shall mean payment or reimbursement from monies available in the Clean Energy Fund or other funds legally available to CEFIA for such purposes. Payment and reimbursement by CEFIA from such sources has been authorized by the CEFIA Board as evidenced by the execution of this MOU by the President of CEFIA.

9.2 At Cost.

a. As a general matter, all expenses subject to payment or reimbursement by CEFIA pursuant to this MOU shall be charged at the actual cost to

CI, without any mark-up, service fee, commission or other premium, and references in this MOU to cost sharing, cost allocation, or payment or reimbursement “at cost” shall be deemed to refer to this Section 9.

b. In the case of occupancy expenses, “at cost” includes base rent, any additional rent, operating expenses, and any other amounts due from CI under the CI Lease to the Landlord allocated between CI and CEFIA as provided in Section 10.

c. In the case of compensation and benefit expenses of CI employees, “at cost” includes salaries and wages, including overtime, any bonus or other additional cash compensation, any employer-paid payroll taxes or expenses, and all benefit costs attributable to CI employees, including the amounts required to be paid by CI to the State Comptroller on account of CI employee participation in state retirement and benefit plans.

d. In the case of vendor services, equipment lease costs, supplies and other expenses of general office operations, “at cost” means the amount actually billed to and paid by CI.

e. In the case of any sale or transfer to CEFIA on the respective books of CI to CEFIA of any office equipment, fixtures or other personal property used or to be used in connection with office operations, “at cost” means actual acquisition cost to CI less accumulated depreciation on the books of CI through the end of the most recently completed Fiscal Year.

9.3 Compensation Cost Allocations. The basis for allocation to CEFIA “at cost” of compensation and benefit expenses attributable to CI employees providing administrative or support services to CEFIA shall be as follows:

- a. in the case of the Chief Financial Officer, compensation and benefit expenses to CI shall be shared equally by CI and CEFIA;
- b. compensation and benefit expenses of all other CI employees providing administrative support and services to CEFIA shall be allocated between CI and CEFIA based on the time records, including overtime time records, for a given pay period completed and submitted by such employees to CI in accordance with its established policies, on which time spent on CEFIA matters shall be reported in half-hour increments, and the relationship of such recorded CEFIA time to the total time, including overtime, recorded by such employee for the same pay period.

9.4. Office Services and Supplies.

a. Costs of office services, materials and supplies purchased by CI at the request of and for the specific use of CEFIA shall be paid or reimbursed at cost by CEFIA.

b. Costs of all other general office services, materials and supplies (except services of the type referred to in Section 9.5), shall be shared at cost between CI and CEFIA on an equal basis or such other basis as the Executive Director of CI and the President of CEFIA may from time to time determine to be fair and equitable in the circumstances.

9.5. Professional Services.

a. Whenever possible, engagements for professional services, including legal, accounting, financial advisory, valuation, engineering, energy consulting, and the services of other experts, shall be authorized, entered into, and paid for separately by CI or CEFIA as the case may be.

b. In circumstances where as a matter of time, cost or convenience it is desirable for CEFIA to make use of the services of professionals already selected and engaged by CI or for CI to engage professionals to provide services to both CI and CEFIA, and there is no disqualifying conflict of interest, with the approval of the Executive Director of CI and the President of CEFIA, the services of such professionals may be made available by CI to or for the benefit of CEFIA, with the costs of services provided to or for the benefit of CEFIA paid or reimbursed at cost by CEFIA.

9.6 Insurance.

a. Wherever possible CI and CEFIA shall separately obtain, maintain and pay for policies of insurance covering such risks, including general liability, directors and officers liability, automobile liability, and property and casualty, as are customary for similar entities, provided that arrangements for such insurance may be made by CI through its insurance advisors and brokers as an additional administrative service under this MOU.

b. If on a temporary or permanent basis, necessary or appropriate insurance for CEFIA is only available, or is available at lower cost, if purchased by CI (*e.g.* with CEFIA or its directors, officers or employees named as additional insureds or loss payees or covered by endorsements to CI policies), with the approval of the CI Executive Director and the CEFIA President, insurance may be so purchased and carried, with an appropriate allocation of premiums and commissions at cost to CEFIA as the CI Executive Director and the CEFIA President may deem to be fair and reasonable in the circumstances.

9.7 Occupancy Expenses. All office occupancy expenses shall be allocated and paid or reimbursed as provided in Section 10. Costs and expenses of CI relating to the security, maintenance, cleaning or other general upkeep of office space shall

be allocated between CI and CEFIA in the same proportion as the allocation of occupancy expenses at the time pursuant to Section 10.

9.8 IT Services. Costs for use, operation, maintenance and repair of computer, telecommunications and remote access facilities, systems and equipment, including costs under service contracts held by CI, shall be allocated at cost between CI and CEFIA based on the respective number of CI and CEFIA users as of July 1 of each Fiscal Year or in such other manner as the CI Executive Director and the CEFIA President may determine to be fair and reasonable.

**10. Use and Occupancy of Leased Space.**

10.1 CI Lease Terms. CEFIA hereby acknowledges receipt of a copy of the CI Lease and that:

- a. The term of the CI Lease expires on 12/31/2020 and CI has an option to extend the term for an additional five (5) year period (the “Extension Option”).
- b. CI has the benefit of a right of first offer (“ROFO”) to lease the remaining space on the first floor of the building immediately adjacent to the Leased Space and containing 3,816± square feet, as depicted as the “ROFO AREA” on Exhibit A to the CI Lease (the “ROFO Area”).
- c. Pursuant to the CI Lease, CI pays a monthly base rent and additional rent (including real estate taxes and operating costs) to the Landlord and has other CI Lease obligations including, but not limited to, payment for utilities, insurance, indemnification of the Landlord for CI’s negligent acts, and maintenance and repairs of the Leased Space.
- d. Since its establishment by the Act, CEFIA has used and occupied a portion of the Leased Space and has used in common with CI the shared use areas of the Leased Space including, but not limited to, a lobby, a reception area, conference rooms, break rooms, kitchen area, corridors, closets, storage rooms and, in addition, any and all common areas in the building and the non-exclusive use of the exterior portions of the parcel on which the building is located including walkways, and access to the streets and parking areas as set forth in the CI Lease (collectively, the “Common Areas”).

10.2 Continued Use and Occupancy by CEFIA. CI and CEFIA desire to continue to have CEFIA utilize a portion of the Leased Space and Common Areas and agree that such use and occupancy by CEFIA shall be governed by the following understanding and agreement of the parties.

a. CEFIA shall continue its non-exclusive use and occupancy of approximately fifty percent (50%) of the Leased Space. The delineation of the offices, work stations and any other areas to be used and occupied on an exclusive basis by CEFIA and CEFIA employees shall be established jointly by the CI Executive Director and the CEFIA President from time to time taking into account the current CI and CEFIA staffing levels, related needs for individual offices, work stations, file and work areas and other relevant factors. To the extent practicable, CEFIA employee and work areas and CI employee and work areas will be located in separate sections or areas of the Leased Space to facilitate independent business operations, the segregation of files, and other working efficiencies within CI and CEFIA, respectively.

b. In consideration of CEFIA's continued use and occupancy of a portion of the Leased Space, CEFIA agrees to promptly pay CI, in equal monthly payments, an amount equal to a percentage, determined for each Fiscal Year as provided in subsection (c), below, of all base rent, additional rent and all other costs, fees or charges that CI is responsible for or otherwise incurs as tenant under the CI Lease, including but not limited to such items as utility (telephone, gas, electric) costs and office cleaning and housekeeping expenses (collectively, the "U&O Costs").

c. The percentage of U&O Costs to be paid by CEFIA in a Fiscal Year during the term of this MOU shall be based on the relationship between the number of CEFIA employees located at the Leased Space as of July 1 of such Fiscal Year and the total number of CI and CEFIA employees located at the Leased Space on such date. By way of example, if on July 1 of a Fiscal Year there are fifty (50) CEFIA employees and fifty (50) CI employees located at the Leased Space, the percent of U&O Costs to be paid by CEFIA for that Fiscal Year would be fifty percent (50%) (50 CEFIA Employees being 50% of 100 total CEFIA and CI employees). The date of first calculation of such percentage shall be as of July 1, 2011, for the Fiscal Year July 1, 2011 to June 30, 2012. Such percentage shall be recalculated, and the amount of U&O Costs to be paid by CEFIA adjusted, as of each subsequent July 1 during the term of the Agreement for the Fiscal Year then beginning.

d. CEFIA's use and occupy of a portion of the Leased Space shall continue as long as the space is required by CEFIA, or as otherwise agreed by the parties, but in no event shall CEFIA terminate its use and occupancy of its portion of the Leased Space without one hundred eighty (180) days prior notice to CI, or as may otherwise be provided by law.

e. Notwithstanding anything to the contrary herein, this use and occupancy arrangement is and shall remain subject to and subordinate to the CI Lease. CEFIA shall (i) refrain from doing or causing to be done or permitting any thing or act to be done which would constitute a default under the CI Lease or otherwise cause



the CI Lease to be terminated or extinguished or make CI liable for any damages, claims or penalties, and (ii) indemnify and hold CI harmless from and against any loss, cost, liability, claim, damage or expense incurred in connection with or arising out of CEFIA's use and occupancy of a portion of the Leased Space or the Common Areas.

f. CEFIA shall not make any improvements or alterations to its portion of the Leased Space without the prior written consent of CI.

g. CEFIA shall obtain and keep in full force and effect commercial general liability insurance with respect to its activities on a portion of the Leased Space in an amount reasonably acceptable to CI, with CI and the Landlord as additional insureds, and property insurance on its personal property at replacement cost.

h. In the event that CEFIA vacates its portion of the Leased Space prior to the expiration or termination of CI's Lease term, including (i) as it may have been previously extended by exercise of the Extension Option and/or (ii) as it may have been previously expended by exercise of the ROFO, CEFIA shall continue to be liable to CI for the remainder of the CI Lease term for its then existing percentage share of the U&O Costs determined as of the date of its vacating the Leased Space. In such event, CI shall use all reasonable means to mitigate CEFIA's U&O Costs, but the inability of CI to mitigate the same shall not relieve CEFIA of its obligation to be responsible for such U&O Costs unless otherwise agreed to by the parties or otherwise provided by law.

i. The ROFO shall be exercised by CI if, after consultation between the CI Executive Director and the CEFIA President, it is determined that the ROFO Area will be needed to accommodate then current or projected space needs of CI and CEFIA. Such determination shall be made jointly by the CI Executive Director and the CEFIA President. In the case of any disagreement between them as to the need to add the ROFO Area, the ROFO may nevertheless be exercised either (i) by CI if it agrees to be solely responsible for the U&O Costs associated the ROFO Area whether or not occupied by CI or (ii) by CI at the written request of CEFIA, if CEFIA agrees to be solely responsible for the U&O Costs associated with the ROFO Area whether or not occupied by CEFIA.

j. If at the time CI and CEFIA shall continue to be sharing space at the Leased Space pursuant to this MOU, the Extension Option shall be exercised by CI either (i) by agreement between CI and CEFIA, in which case the shared use of the Leased Space will continue to be governed by this MOU, or (ii) at CI's sole option, in which case CEFIA's obligation to pay a share of U&O Costs and its right to use and occupy the Leased Space shall terminate at the end of the original lease term except as CI and CEFIA may otherwise agree or as may otherwise be provided by law.

10.3 Certain Personal Property. Furniture, fixtures and equipment used exclusively by CEFIA, including computers, telephone sets and office furniture in offices or comprising work stations of CEFIA employees, shall remain available for use of such CEFIA employees. The Chief Financial Officer shall prepare an inventory of such personal property, and upon approval of the CEFIA President, such personal property shall

be transferred on the books of CI and CEFIA at cost, with no representation or warranty by CI as to condition, value or utility. Payment by CEFIA to CI for such personal property shall be on the basis set forth in Section 9.

**11. Capital Expenditures.** The parties acknowledge that during the term of this MOU it may be necessary or appropriate to incur capital expenses associated with office expansion or upgrades, including leasehold improvements, new office furniture and work stations, purchase and installation of new computer or telecommunications hardware and systems and other capital items related to office operations (“Capital Improvements”). Such Capital Improvements shall be coordinated between CI and CEFIA in order to achieve available efficiencies and economies, and may be arranged for, made and paid for by CI for its account and, with the prior approval of CEFIA, for the account of CEFIA to the extent of any exclusive or shared use and enjoyment by CEFIA of such Capital Improvements. Ownership of Capital Improvements consisting of separate items of personal property (furniture, computers, etc.) used exclusively by CEFIA shall be in the name of CEFIA. Ownership of the other Capital Improvements shall be in the name of CI, subject to any applicable provisions of the CI Lease in the case of leasehold improvements.

**12. FOIA Public Records Compliance.** CEFIA shall be responsible for compliance with the public records provisions of the Connecticut Freedom of Information Act with respect to the records and files of CEFIA, including responses to public requests for access to, or copies of, any such records or files.

**13. Limited Liability; Exculpation and Indemnification.**

13.1 Scope of Employment. It is intended by the parties that CI officers and employees providing support and services to CEFIA pursuant to this MOU shall be deemed to be acting in the discharge of their duties and within the scope of their employment by CI and shall enjoy the full protection provided for in Section 1-125 of the General Statutes and any generally applicable policy of CI relating to the reimbursement of the costs of defense of claims made against CI officers and employees.

13.2 Exculpation. In no event shall any officer or employee of CI have any liability to CEFIA for claims, losses or damages relating to or arising from the performance or non-performance of the duties and responsibilities of CI under this MOU, except as may be occasioned by conduct that is found to be wanton, reckless, wilful or malicious.

13.3 CEFIA Indemnification. CEFIA shall indemnify, defend and hold harmless CI from any loss, liability, damage or expense incurred by CI, either directly or as a result of its obligation to indemnify, defend or reimburse any CI officer or employee under Section 1-125 of the General Statutes or any generally applicable CI policy, as a result of any third party claim against CI or any CI officer or employee based upon, or arising from, the performance or non-performance by CI or any such CI officer or

employee of the duties and responsibilities of CI under this MOU, except as may be occasioned by conduct that is found to be wanton, reckless, wilful or malicious.

13.4 CI Indemnification. CI shall indemnify, defend and hold harmless CEFIA from any loss, liability, damage or expense incurred by CEFIA as a result of any third party claim against CEFIA or any CEFIA officer or employee based on, or arising from, a default or other failure of CI in the performance of the duties and responsibilities of CI under this MOU where such default or failure is the result of conduct which is found to be wanton, reckless, wilful or malicious.

13.5 Survival. The indemnification provisions of this MOU shall survive its termination.

#### **14. Miscellaneous.**

14.1 No Third Party Beneficiaries. This MOU is for the exclusive benefit of the parties hereto and no rights of third party beneficiaries are created hereby.

14.2 Amendment. This MOU may be modified or amended at any time and from time to time as deemed appropriate by CEFIA and CI, any such amendment to be evidenced by a written instrument signed by the CI Executive Director and the CEFIA President.

14.3 Counterparts. This MOU may be executed in any number of counterparts, and each counterpart shall constitute an original instrument, but all such separate counterparts shall constitute one and the same agreement.

14.4 Governing Law. The validity, construction and enforceability of this MOU shall be governed in all respects by the laws of the State of Connecticut, without regard to its conflict of laws rules.

[The signature page follows.]

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IN WITNESS WHEREOF, the parties have executed this MOU as of the date first set forth above.

**CLEAN ENERGY FINANCE AND  
INVESTMENT AUTHORITY**

By: \_\_\_\_\_

Bryan Garcia  
Its President

**CONNECTICUT INNOVATIONS,  
INCORPORATED**

By: \_\_\_\_\_

Peter V. Longo  
Its President and Executive Director

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## CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

### GENERAL COUNSEL AND CHIEF LEGAL OFFICER

**Class Title:** General Counsel  
CEO

**Reports to:** President and

**Direct Reports:** Paralegal

**Wage Hour Class:** Exempt

**Salary Range:** ~~\$116,536-164,588~~ \$129,054-\$181,094

**Hours Worked:** 40

**Career Series:** ~~Director~~ Officer

#### SUMMARY:

The Connecticut's Clean Energy Finance and Investment Authority (hereafter "CEFIA"), seeks an experienced attorney as its general counsel. Qualified candidate must have a Juris Doctor Degree from an accredited law school, be in good standing and have at least ~~seven~~ ten years experience in energy, environmental and financial or transactional work. Candidate must also be admitted to practice in Connecticut and be in good standing.

The general counsel and chief legal officer directs legal, legislative and regulatory affairs that will further the mission of the CEFIA and reports directly to CEFIA's President.

CEFIA is a quasi-public authority that promotes investment in clean energy in accordance with a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises, and stimulates demand for clean energy and deployment of clean energy sources that serve end-use customers in the state.

#### DUTIES AND RESPONSIBILITIES:

- Acts as a senior advisor to the President and CEO on legal and policy-related matters;
- Works with the Board of Directors, President, and CEFIA staff to lead the development of legal, regulatory and policy strategies that further the CEFIA's clean energy goals;
- Provides legal counsel to the Board of Directors, President and CEFIA staff;
- Ensures all operational and organizational legal requirements are implemented and carried out;
- Represents the CEFIA in clean energy related legislative and regulatory proceedings with the support of the President;
- Monitors, drafts and interprets legislative and regulatory decisions;
- Drafts and negotiates a wide range of legal documents with a focus on the standardization of contracts relating to clean energy market development and deployment projects and related initiatives;
- Manages contract administration activities;
- Reviews legal due diligence;
- Advises with respect to intellectual property, commercial lending and other financing matters related to the CEFIA's business and performs other duties as assigned;
- Acts as CEFIA's freedom of information officer and ethics officer;
- Supervises CEFIA staff including Paralegal; and
- Manages relationships with, and reviews work product of, outside counsel.

**MINIMUM QUALIFICATIONS REQUIRED  
KNOWLEDGE, SKILL AND ABILITY:**

- Member of the Connecticut Bar in good standing;
- Knowledge of State and Federal laws and regulations pertaining to energy and the environment, as well as banking and finance;
- Substantial knowledge and experience with administrative hearing procedures and other legal, legislative and regulatory practices and procedures;
- Knowledge of electric and energy industries and related regulations and processes;
- Expertise in legal structures for a variety of financing models;
- Experience with project finance transactional work, including drafting and negotiating a wide range of legal contracts;
- Familiarity with energy efficiency issues and energy efficiency service contracts;
- Supervisory experience;
- Considerable interpersonal skills;
- Considerable oral and written communication skills;
- Ability to interpret, analyze and draft legal, legislative and regulatory material.

**EXPERIENCE AND TRAINING:**

**General Experience:**

Juris Doctor Degree from an accredited law school. Must be a member of the Connecticut Bar in good standing and have at least seven years experience practicing law.

**Special Experience:**

Two years of the general experience must have been lead counsel dealing with legislative or regulatory executives. Some contract experience is a plus as well as knowledge of energy project finance.

**CAREER SERIES**

The career series for this classification is:

- Officer
- Director II
- Director I
- Counsel

**CUSTOMER SERVICE DELIVERABLES**

- Responds promptly to stakeholder, Board of Directors, and staff requests for information or assistance;
- Acts as a lead member of the CEFIA team and pitches in and assists other staff members as requested
- Provides a work product that is well conceived, developed, complete, and useful to scale-up clean energy deployment

**APPOINTMENT**

Appointed by the Clean Energy Finance and Investment Authority Board of Directors in accordance with Sec. 99. Section 16-245n (d) of the Connecticut General Statutes.