

**AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE  
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY  
Minutes – Regular Meeting  
Wednesday, June 5, 2013**

A regular meeting of the Audit, Compliance and Governance Committee (“Audit Committee”) of the Board of Directors of the **Clean Energy Finance and Investment Authority (the “Authority”)** was held on June 5, 2013, at the office of CEFIA, 845 Brook Street, Rocky Hill, CT.

1. **Call to Order:** John Olsen, Chairperson of the Audit Committee, called the meeting to order at 2:18 p.m. Audit Committee members participating: John Olsen and Matthew Ranelli (by phone).

Absent: Patricia Wrice.

Staff Attending: George Bellas, Brian Farnen, Bryan Garcia, David Goldberg, Shelly Mondo, and Phil Siuta.

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

3. **Approval of Minutes:**

Mr. Olsen asked the Audit Committee members to consider the minutes from the December 11, 2012 meeting.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Olsen, the Audit Committee members voted unanimously in favor of adopting the minutes from the December 11, 2012 meeting as presented.**

4. **Legislative Update:**

Mr. Goldberg provided an update on Commercial Property Assessed Clean Energy (“C-PACE”) legislation. He discussed the proposed change to the timing of the lien under C-PACE. Attorney Farnen explained that the existing statutes do not allow liens on the properties during the construction period, thereby affecting the willingness of capital providers to provide funding for unsecured loans during construction at a low interest rate. He noted that the proposed amendment would allow liens on the properties during construction, giving banks the comfort to provide low-interest rate loans for secured obligations during the construction period. Mr. Goldberg explained that the C-PACE amendments and the comprehensive on-bill repayment legislation are in the comprehensive energy strategy bill which is being considered by the legislature this afternoon. He mentioned that the Commercial and Industrial property tax-exemption bill has already been signed by the Governor.

Mr. Garcia spoke about the proposal by the legislature to transfer CEFIA funds in FY 2014 and 2015 to the General Fund to help reduce the state budget deficit. He indicated that staff is working with the Administration and legislature to mitigate and potentially reverse the potential impact of the transfer of funds before the session ends. One of the possibilities being actively considered is allocating additional Regional Greenhouse Gas Emissions auction proceeds to CEFIA for use for financing energy efficiency projects.

Mr. Goldberg discussed alternative compliance payments. In response to a question, Mr. Bellas indicated that in the past several years, approximately \$100,000 a year has been received for alternative compliance payments. It is anticipated that in the future the amount will be substantially more.

**5. Review and Approval of the Creation of a New Credit Committee:**

Attorney Farnen discussed the recommendation to create a new Credit Committee of the Board. He reviewed the existing committees of the Board and noted the strategic transition of funding away from technology innovation towards a focus on low-cost financing of commercially available clean energy deployment. Attorney Farnen explained the need to create a new committee to review staff's recommendations for C-PACE funding transactions between \$300,000 and \$2,500,000. Due to the anticipated volume of C-PACE transactions, Mr. Farnen noted the likelihood of the Credit Committee needing to meet on a monthly basis.

Concerns were expressed with the potential for the responsibilities of the Deployment Committee and proposed Credit Committee overlapping. Staff explained that the Deployment Committee would be responsible for the programmatic-type issues, and the Credit Committee would focus on individual transactions. The Audit Committee members discussed having the requisite experience on a committee to review the C-PACE transactions. A suggestion was made to expand the membership of the existing Deployment Committee to include another member or two with the requisite expertise. Some concerns were expressed with increasing the frequency of the meetings of the Deployment Committee. The Audit Committee members discussed the suggestion to create a subcommittee of the Deployment Committee to review and approve C-PACE transactions. It was noted that Board action would be required to delegate authority to a subcommittee of a committee to approve the transactions.

A discussion ensued on the approval process for transactions, beginning with staff's due diligence, recommendation and ultimate approval by the Board or committee of the Board. Mr. Siuta explained how the CI Loan Committee functions. He noted that the Loan Committee members approve transactions after thorough review and due diligence is performed by staff. Mr. Siuta stated that the CI Loan Committee is comprised of members with different backgrounds and expertise. After further discussion by the Audit Committee members, there was general consensus to proceed with a recommendation to create a subcommittee of the Deployment Committee.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Olsen, the Audit Committee members voted unanimously in favor of recommending to the Board for consideration the following:**

- **expanding the membership of the Deployment Committee to include a member(s) with the requisite background to review and approve C-PACE transactions; and**
- **the creation of a subcommittee of the Deployment Committee of the Board;**
- **delegating authority to the subcommittee of the Deployment Committee to approve C-PACE transactions between \$300,000 and \$2,500,000 in accordance with Section 5.1 of the CEFIA Bylaws; and**
- **delegating authority to the subcommittee of the Deployment Committee to recommend approval of C-PACE transactions in excess of \$2,500,000 to the Board in accordance with Section 5.1 of the CEFIA Bylaws.**

**6. Review and Approval of the Dissolution of the Technology Innovation Committee:**

Attorney Farnen reviewed the recommendation to dissolve the Technology Innovation Committee. He noted that staff has been working to wind down technology innovation programs, and the potential last meeting of the Technology Innovation Committee is planned to be held on Friday, June 7. Even though not required, Attorney Farnen mentioned that the Technology Innovation Committee will also be considering a recommendation to dissolve at their June 7<sup>th</sup> meeting. It was noted that in accordance with CEFIA's Bylaws, the ACG Committee has jurisdiction over corporate governance and therefore should consider the dissolution.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Olsen, the Audit Committee members voted unanimously in favor of adopting the following amended resolution:**

**WHEREAS**, Section 99 of Public Act 11-80, "An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future," (the "Act") directs the Clean Energy Finance and Investment Authority ("CEFIA") to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state; and

**WHEREAS**, CEFIA has been strategically transitioning funding from technology innovation towards a focus on low-cost financing of commercially available clean energy deployment pursuant to CEFIA's Board approved Comprehensive Plan; and

**WHEREAS**, CEFIA has four Standing Committees of the Board consisting of an Audit, Compliance and Governance ("ACG") Committee, a Budget and Operations Committee, a Deployment Committee and a Technology Innovation Committee; and

**WHEREAS**, CEFIA staff proposes to wind down the Technology Innovation Committee and further proposes the establishment of a committee function to review financing projects consistent with our new mission focused on financing the scaled deployment of commercially available technologies.

**NOW**, therefore be it:

**RESOLVED**, that the ACG Committee hereby recommends, effective July 1, 2013, that the CEFIA Board of Directors approves the dissolution of the Technology Innovation Committee.

**7. Review of Auditors:**

Mr. Siuta discussed the Request for Proposals ("RFP") process for an outside auditor. He reviewed the scores for each of the five qualified applicants and explained the metrics used to score the proposals. Mr. Siuta discussed the fees for each of the applicants. Mr. Bellas and Mr. Siuta indicated that given the complexities of the organization, staff believes that the hours proposed by Marcum LLP to complete the audit is more realistic than the second scored applicant. It was noted that Marcum LLP has served as auditor for CI for the last three fiscal years. In accordance with State Statutes, independent auditors for quasi-public agencies cannot serve for more than six consecutive fiscal years.

**Upon a motion made by Mr. Ranelli, seconded by Mr. Olsen, the Audit, Compliance and Governance Committee members voted unanimously in favor of adopting the following resolution recommending the appointment of Marcum LLP as CEFIA's auditor for fiscal years ending June 30, 2013, 2014 and 2015:**

**WHEREAS**, Article V, Section 5.3.1(i) of the Clean Energy Finance and Investment Authority ("CEFIA") Bylaws requires that the Audit, Compliance and Governance ("ACG") Committee recommends to the Board of Directors (the "Board") the selection of the auditors;

**WHEREAS**, Connecticut Innovations provides administrative and accounting services to CEFIA, has reviewed and scored auditor bids and recommends Marcum, LLP.

**NOW**, therefore, be it:

**RESOLVED**, that the ACG Committee recommends to the Board Marcum, LLP as CEFIA's auditor for the Fiscal Years Ending June 30, 2013, 2014, and 2015.

**8. Adjournment**: Upon a motion made by Mr. Ranelli, seconded by Mr. Olsen, the Audit Committee members voted unanimously in favor of adjourning the June 5, 2013 meeting at 3:22 a.m.

Respectfully submitted,

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John Olsen, Chairperson of Audit  
Committee