

AUDIT, COMPLIANCE & GOVERNANCE COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

**Minutes – Regular Meeting
Wednesday, October 15, 2014**

A regular meeting of the Audit, Compliance and Governance Committee of the Board of Directors of the **Connecticut Green Bank (“Green Bank”)** was held on October 15, 2014, at the office of Green Bank, 845 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Mr. Ranelli, noting the presence of a quorum, called the Deployment Committee meeting to order at 1:02 p.m. Audit, Compliance, and Governance Committee members participating: John Harrity; and Patricia Wrice (by phone).

Staff Attending: Bert Hunter (by phone), George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Madeline Priest, and Cheryl Samuels.

Others attending: John Schuyler, Bill Sawicki and Gary Smith of Marcum LLP.

2. **Public Comments:**

There were no public comments.

3. **Approval of Meeting Minutes:**

The Audit, Compliance and Governance Committee members were asked to consider the minutes from the Special July 17, 2014 meeting.

Upon a motion made by Ms. Wrice, seconded by Mr. Harrity, the Audit, Compliance, and Governance Committee members voted in favor of adopting the minutes from the July 17, 2014 special meeting as presented.

4. **Marcum 2014 Comprehensive Annual Financial Report Presentation:**

Bill Sawicki of Marcum LLP, the Green Bank’s independent auditors, presented the committee with an overview of the draft of the Green Bank’s first Comprehensive Annual Financial Report (CAFR) for fiscal year 2014. In addition to audited financial statements the CAFR includes financial and non-financial information pertaining to the Green Bank’s operations and programmatic initiatives. Mr. Sawicki indicated that while the audit was essentially complete there remained some areas requiring further review primarily in the areas of foot note disclosures and management’s discussion and analysis of the results of operations for the fiscal year. Mr. Sawicki indicated that the audit was conducted under auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States. Mr. Sawicki reported to the Committee that there were no significant

audit adjustments or disagreements with management about auditing, accounting or disclosure matters. He also went on to report that no difficulties were encountered relating to the performance of the audit.

Mr. Bellas noted that the report was quite detailed. Since the Committee members wanted more time to review the report in detail, Green Bank staff and Marcum were open to addressing the report again at the next Committee meeting.

Mr. Ranelli stated that once committee members felt that they have had enough time to read the report, they would send all questions to Mr. Bellas and he will share the answers to all questions with whole committee.

Ms. Wrice asked if committee members could get a flow chart explaining the relationship between components and Mr. Bellas offered to provide that following the meeting.

Mr. Bellas asked the committee if they would like to hold an executive session without Green Bank management in the room to discuss. Mr. Ranelli asked the rest of the committee and it was agreed that the offer was not necessary.

Upon a motion made by Mr. Harrity, seconded by Ms. Wrice, the Audit, Compliance, and Governance Committee members voted that Green Bank staff is authorized to present a final draft Comprehensive Annual Financial Report for the Connecticut Green Bank for the Fiscal Year ending June 30, 2014 to the Office of the Comptroller in advance of the Audit Compliance, and Governance Committee, Board of Directors review of approval.

5. 2015 Legislative Agenda:

Attorney Farnen provided a reminder for the committee that the Residential Solar Investment Program (RSIP) is capped at one third of rate payer funds annually and that the Green Bank was approaching this year's cap with market growth of fifty percent per year. Attorney Farnen warned that without addressing next steps now, the Green Bank could cause harm to the success of the program and the solar industry.

Mr. Garcia mentioned that the Green Bank goal of installing a minimum of 30 MW of solar photovoltaics (Solar PV) is eight years ahead of schedule, and now the organization is trying to align to the interest of other state policies. Mr. Garcia shared that installed costs for Solar PV have come down, and that this year is on track to double last year's number of Solar PV installations. The Green Bank wants to help the market continue to grow.

Attorney Farnen presented the Committee with Solar Home Renewable Energy Credits (SHREC) as a potential long term solution to allow the utilities to purchase clean energy in their goal to meet the Renewable Portfolio Standard (RPS).

Mr. Dykes said that the Green Bank does not want to reduce incentives to an unsustainable level. The SHREC policy would require the utilities to sign a fifteen year contract to purchase residential solar RECS that would mirror the cost of a sustainable RSIP incentive. Mr. Dykes anticipated that a REC price would be cheaper than current market costs, deliver in state RECS, create local jobs, and also allow the Connecticut Green Bank to meet the growing solar demand. Mr. Dykes went on to mention that analysis is being done now on what the rate payer savings or cost would be.

Mr. Garcia stated that policy cost implications, economic impact analysis on jobs through the Solar PV industry in Connecticut can bring to light some hidden benefits of our suggested policy. The economic impact research is being done by the University of Connecticut.

Attorney Farnen stated that this policy is designed to support residential ratepayers. He went on to mention that SHREC can address shortfalls of current the REC policy and help to grow our RSIP and Solar PV industry. SHREC creates a new class of RECS, but does not increase the size of the RPS pie.

Mr. Dykes stated that this would not change how the homeowner experiences RSIP incentives. SHREC will help create a new funding stream for RSIP and allows the Green Bank to use the \$9,000,000 for the RSIP towards other financing programs instead of rebates.

Ms. Wrice asked about projections on what additional revenue might be from SHREC. Mr. Garcia stated that the Green Bank predicts and estimates demand. While not every estimate is exactly correct, the predictions are close to the actual number. Based on progress on legislative goal in one year, with fifty to hundred percent growth annually, there is a potential to see two hundred megawatts in five years.

Ms. Wrice also asked if the goal with SHREC is to no longer rely on rate payer funds. Mr. Dykes answered that SHREC would be a different stream of funds that will already be spent by the utilities anyway to purchase RECS. The goal is to make local RECS more of an emphasis and encourage investing in residential solar. This would help make the rate payer funds go further.

Mr. Dykes noted that there exists an element of risk; SHREC is a hedge on REC prices for rate payers. In 2016 when the SHREC policy would go into effect, we would likely see a \$40 SHREC, which is currently cheaper than the market, but may not be later. The Green Bank is trying to forecast the market to expose savings or cost to rate payers.

6. PURA Comments and Green Bank Involvement:

Attorney Farnen briefed the committee on the Green Bank's role in potential upcoming legislation. The Green Bank will take a stance or comment when there is an impact to Green Bank promoted legislation, clean energy financing, permitting, or clean energy tax exemption for clean energy projects. Other items outlined would be topics the Green Bank would refrain from unless asked to speak on the topic. There was a discussion on things that were a gray area. It was mentioned that if there are other stakeholders speaking up on certain topics and they are adequately addressing the issues, then the Green Bank may take a back seat.

Mr. Ranelli said the list should be broken down differently. The list should be based on guiding principles such as, does the Green Bank have money at risk or programs at risk? Does the topic have other stakeholders adequately addressing the issue? These guiding principles would allow the Green Bank to respond mid-session as something arises.

Mr. Harrity agreed with Mr. Ranelli's statement and added that the Green Bank does not always need to be mentioned by name but should look at the impact to the organization.

Ms. Wrice contributed that the Green Bank should look at preparedness to weigh in. There are broader coalitions addressing many related topics and may not be the Green Bank's role to comment. Attorney Farnen, hearing Committee feedback agreed to create guiding principles for review.

7. **Review Bylaws and Joint Committee Bylaws – tabled for next meeting**

8. **Discuss Board Member appointments ending during Fiscal Year 2015**

Patricia Wrice – 6/30/15

Mun Choi – 6/30/15

Tom Flynn – 6/30/15

Matt Ranelli – 7/14/15

John Harrity – 9/12/15

Attorney Farnen made note of board members with expiring appointments and that Green Bank staff would reach out to each respective member to inquire regarding their continued interest on serving on our board.

9. **Adjournment:** Upon a motion made by Mr. Harrity seconded by, Ms. Wrice, the Deployment Committee members voted unanimously in favor of adjourning the meeting at 2:12 p.m.

Respectfully submitted,

Matt Ranelli, Chairperson of the
Audit, Compliance, and Governance
Committee