

**BUDGET AND OPERATIONS COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Minutes – Special Meeting
Friday, September 21, 2012**

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

1. **Call to Order:** Daniel Esty, Chairperson of the Budget Committee, called the meeting to order at 1:07 p.m. Budget Committee members participating: Mun Choi, Daniel Esty, and Norma Glover.

Other Board members attending: Catherine Smith, Chairperson of the CEFIA Board and Commissioner of the Department of Economic and Community Development.

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Alexandra Lieberman and Shelly Mondo.

Others Attending: Alex Kragie, DEEP.

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

3. **Approval of Meeting Minutes:**

Mr. Esty asked the Budget Committee members to consider the minutes from the June 15, 2012 meeting.

Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Budget Committee members voted unanimously in favor of adopting the minutes from the June 15, 2012 meeting as presented.

4. **Review of Updated FY13 Budget and Program Metrics:**

Mr. Garcia stated that the purpose of the meeting is to discuss the updated budget for fiscal year 2013. He explained that in accordance with State Statutes and CEFIA’s Bylaws, the Board adopted the fiscal year 2013 budget in June. However, staff was asked to update the budget by providing the metrics, staffing and how the fiscal year 2013 budget matches to the different program areas. Mr. Garcia mentioned that the updated budget includes comments received from the Board members and former Board member, Mr. Kirshbaum.

Mr. Hunter stated that the updated operating and program budget includes more details about the metrics and goals and how the de-emphasis of subsidy-based incentives and shift to program investments translates into the budget. Staff reviewed the program investments. It was noted that the open commitments have been reduced from \$36,000,000 to \$25,000,000.

In response to a question, Mr. Garcia provided an update on the large fuel cell project by Fuel Cell Energy under Project 150 in Bridgeport. The Budget Committee members discussed the importance of the project and some of the issues (i.e. large scale, siting, high interconnection costs, potential loss of federal tax credits, and potential legal issues regarding making changes to the proposed project). Recognizing the urgency and narrow window of time to move forward with the project to meet the timeline amended in Public Act 11-80, a suggestion was made to form a team to lay out the issues and discuss potential solutions (i.e. reconfiguring the project and/or relocating the project). It was noted that the project was approved by the former Department of Public Utility Control, and changes to the scope or location would have to be approved by the Connecticut Public Utilities Regulatory Authority ("PURA"). Ms. Glover agreed to be a part of the team, and staff was asked to include CEFIA Board member John Olsen, Jessie Stratton from DEEP and Tony Marone from United Illuminating. The Budget Committee members noted that the goal is for project costs to be as low as possible since it is unlikely that the project will receive final approval from PURA if costs are too high.

Mr. Hunter explained the provisions for loan losses and the staff's rationale for the reserves for the grid-tied loans, Operational Demonstration Loan and Alpha Loan Programs, and the ARRA-SEP supported programs. He clarified the definitions of the provision for loan loss, which is an expense item on the income statement that accumulates as a reserve for possible losses from loans that CEFIA makes, and contrasted this to "loan loss reserves" and "interest rate buy downs" that are also expense items but which act as incentives to encourage more private capital into transactions. A discussion ensued on the estimates for the reserves, and a suggestion was made to change the estimates for the Operational Demonstration Program and Alpha Loan Program since it is not likely that the losses will occur immediately. There was general consensus that while CEFIA should remain conservative with its estimates, there is also a desire to get projects moving forward and funding out to as many people as possible. There was no objection to changing the reserves for the Operational Demonstration Program and Alpha Loan Program from 100 percent to 50 percent. As CEFIA gains more experience with all of the programs, adjustments to the reserves can be made as necessary.

A discussion ensued on the C-PACE loan program. Staff noted the intent is to initially have an active role and provide incentives to push the program forward and demonstrate how the program translates to the flow of private capital.

The Budget Committee members asked whether the proposed allocations to the programs are in line with CEFIA's priorities. In response to a comment about the allocation of funding for the Residential Solar Lease Program, Mr. Hunter explained that in accordance with the incentive block schedule, the subsidies under the program will decline over time. Mr. Garcia mentioned that since the program was launched in March 2012, CEFIA has had more than double the activity of the program launched by the former Connecticut Clean Energy Fund, and CEFIA's incentives of approximately \$5,000,000 have attracted approximately \$10,000,000 of other funding. To date, CEFIA is exceeding statutory expectations. It was noted that having a more broad based loan program may help prove the success and ramp up of the green bank for clean energy financing.

An observation was made that there is no funding in the fiscal year 2013 budget for micro grid projects. A discussion ensued on the timing for the projects, and Mr. Kragie noted that it is likely that the projects will get chosen sometime in May or June 2013. Funding will most likely not be needed from CEFIA until the fiscal year 2014 budget. Staff was asked to have more information by January 2013 about what is needed to obtain private funding and support for micro grid projects. There was general consensus that \$4,000,000 is an appropriate amount for CEFIA to invest in approximately 14 to 15 pilot micro grid projects for the 2014 fiscal year. The Budget Committee members suggested having certain information, such as upcoming programs provided in a two-year budget. Staff was asked to include a program for micro grids in the fiscal year 2013 budget with zero allocation.

Some concern was expressed with the increase in utility customer assessments projected in the fiscal year 2013 budget. Mr. Bellas explained the rationale for the projection and noted that there has not been a significant variance over the last several months. Staff was asked to revisit the issue and determine whether changes should be made to be more conservative.

The Budget Committee discussed the expense over income reported on the statement of income and general and program expenses. Staff was asked to ensure that the information is presented in a manner that meets accounting standards but clearly shows how CEFIA is being fiscally prudent. Staff explained the change in net assets for CEFIA. Mr. Dykes presented the staffing plan.

The Budget Committee members discussed reporting on a regular basis to the Board. There was general consensus on the following:

- that the Board should receive the key financial reports at every meeting
- at least quarterly or sooner if there are significant changes, the Board should receive the cash flow statement and balance sheet
- staff should develop key metrics (at least four of five) that can be tracked and trended for the Board each month

The Budget Committee members indicated that the Board needs to be able to measure activities, efficacy and efficiency of funds being allocated.

The Budget Committee members asked staff to allocate sufficient time for the Board to review the proposed updated Budget.

The Budget Committee members began the review of the summary of the individual programs. Staff was asked to ensure that the summary sheet for each program includes at least the following to be sure there is a clear picture on the effectiveness of utilizing and leveraging CEFIA's resources:

- Funds allocated to each program
- Value and percentage of time for staff allocated to each program
- Total administrative costs for each program
- Total costs for each program
- Targets, expectations and goals of each program (in megawatt hours)
- Results in megawatt hours
- Megawatts per dollar deployed/megawatts per dollar in renewable energy
- Metrics to success
- Private capital leveraged
- If available, budget comparison with last year for each program

A concern was raised about not having enough funding for financing energy efficiency projects. Staff talked about some of the energy efficiency financing programs currently being run by the Energy Efficiency Fund. There was a discussion about attracting private capital rather than utilizing more ratepayer funds for financing energy efficiency programs. Mr. Esty talked about Governor Malloy's comprehensive energy strategy. He noted how certain financing programs should be either within or administered by CEFIA. Staff was asked to put together a plan by October 5 to enable the significant ramp up in funding being deployed for financing energy efficiency projects. Included in the plan should be the option for an on-bill financing program for changing out appliances and heating systems (i.e. furnaces and boilers) to move more space heating from fuel oil and resistance electricity to natural gas, the subsidies that would be needed to make loans attractive, how to attract private capital, and the potential economics and savings from converting to natural gas. It was noted that flexibility should be built into the program to make it easier and more effective. A separate program that is not on-bill should be developed, potentially through community banks, for lower-income people. This program may require interest rate buy downs and other credit enhancement features. Staff was also asked to consider an on-bill energy efficiency financing programs to encourage deeper implementation from the audits. Information about returns, costs and buy downs should be included. Staff will work with the Energy Efficiency Fund to determine whether PURA approval is necessary or a change in legislation is necessary.

A special Budget Committee meeting will be scheduled for Wednesday, September 26, 2012, at 5:30 p.m. at DEEP to continue discussions on the program expenses, metrics and personnel for the programs.

Upon a motion made by Ms. Glover, seconded by Mr. Choi, the Budget Committee members voted unanimously in favor of adopting the following resolution recommending the updated Fiscal Year 2013 budget to the Board:

WHEREAS, Article V of the Clean Energy Finance and Investment Authority (“CEFIA”) Operating Procedures requires the CEFIA Board of Directors (the “Board”) to adopt an Annual Operating Budget for each forthcoming fiscal year;

WHEREAS, Article V, section 5.3.2 of the CEFIA by-laws charges the Budget and Operations Committee to recommend to the Board the annual operating budget; and

WHEREAS, the Board directed CEFIA staff to provide an updated Fiscal Year 2013 budget;

NOW, therefore be it:

RESOLVED, that the Budget and Operations Committee hereby recommends to the Board for approval the updated Fiscal Year 2013 budget.

5. Adjournment: Upon a motion made by Mr. Choi, seconded by Ms. Glover, the Budget Committee members voted unanimously in favor of adjourning the September 21, 2012, meeting at 3:10 p.m.

Respectfully submitted,

Daniel Esty, Chairperson of Budget Committee