BUDGET AND OPERATIONS COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Minutes – Special Meeting
Wednesday, December 11, 2013

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 December 11, 2013, at the office of the Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT 06067.

1. **Call to Order**: The meeting was called to order at 9:22 a.m. Budget Committee members participating: Mun Choi (by phone) and Daniel Esty.

Member Absent: Norma Glover.

Deployment Committee members present: Reed Hundt (by phone); Matthew Ranelli (by phone); and Patricia Wrice (by phone).

Staff attending: George Bellas, Joe Buonannata, Mackey Dykes, Brian Farnen, Bryan Garcia, Ben Healey, Dale Hedman, Bert Hunter, Neil McCarthy (by phone), Shelly Mondo, Kerry O'Neill, Genevieve Sherman, and Kimberly Stevenson,

Others attending: Denise Farrell, DEEP (by phone).

2. **Public Comments:**

There were no public comments.

3. **Approval of Meeting Minutes:**

The Budget Committee members were asked to consider the minutes from the November 6, 2013 meeting.

> **Upon a motion made by Mr. Choi, seconded by Mr. Esty, the Budget Committee members voted unanimously in favor of adopting the minutes from the November 6, 2013 meeting as presented.**

4. **Class I REC Asset Portfolio:**

Mr. Garcia noted that at the November meeting, the Board asked the Deployment Committee and Budget & Operations Committee members to discuss and recommend how to proceed with managing the Class I Renewable Energy Credit ("REC") asset portfolio. Mr. Healey reviewed the draft guidelines and procedures for the management of CEFIA's REC asset portfolio, and he asked both the Deployment Committee and

Budget Committee members for input. He noted that based on feedback provided and additional recommendations made by external experts, the document will be finalized before presentation to the Board on December 21.

Mr. Healey mentioned that Connecticut's Renewable Portfolio Standard ("RPS") requires a certain percentage of the state's electric load to come from renewable energy sources each year, and the RPS fulfillment is measured in RECs. He explained the calculation of RECs in megawatt hours. Mr. Healey stated that CEFIA owns the RECs from the solar PV systems under the Residential Solar Investment Program (RSIP), and the average RSIP system of 7 kilowatts produces about 8 RECs per year. A discussion ensued on self-supplying electricity and how the obligation of renewable energy required by each electric supplier and each electric distribution company wholesale supplier would be affected if self-supplied electricity is significantly increased. It was noted that the RPS is not applicable to homeowners.

The Deployment Committee and Budget Committee members discussed options for selling RECs, including the sale of RECs at a certain cap. Mr. Healey explained that under the draft guidelines and procedures, after evaluating the existing and projected portfolio, staff can work with a qualified broker to price potential REC transactions in the market. He noted that the RECs must be registered on the New England Power Pool Generation Information System ("NEPOOL-GIS"). Mr. Healey discussed the Request for Qualifications process that lead to the selection of five qualified brokers. In response to a question, he explained the process for selecting a specific broker from the five to move forward with a transaction through an auction process. A discussion ensued on the differences between selling the RECs in the market versus a fixed offer. Mr. Healey noted that forward fixed terms would likely have an associated discount. The committee members questioned whether the cost recovery will affect Connecticut ratepayers. It was noted that rate cases have to go through PURA, and it is not likely to be a 1 to 1 pass through. The committee members expressed the desire to have more information about the effects on the ratepayers depending on the different prices. Mr. Healey explained CEFIA's goal to maximize the value of CEFIA's Class I REC asset portfolio to generate revenues that can help support its mission. He talked about the policy goals for the sale of the REC asset portfolio. Mr. Healey reviewed the proposed guidelines and procedures for the management of CEFIA's Class I REC asset portfolio. In response to a question, Mr. Healey explained that "maximized value" is the highest price per REC sold. Several committee members questioned whether it would be beneficial to sell the RECs outside of Connecticut, and it was noted that the RECs can only be sold in Connecticut. A suggestion was made to propose a restructure REC market place to the legislature in 2015 or 2016. A question arose as to whether there is another policy purpose for which the RECs can be used to help accomplish goals.

Mr. Healey indicated that feedback was sought from several experts on the draft policy. He summarized the feedback received, noting the importance of regularly consulting other market fundamentals, requiring appropriate financial safeguards when trading to non-investment grade counterparties, creating a process for "out of market" transactions, and developing a standard draft REC transaction contract to lower transaction costs and risks.

Based on the feedback received, Mr. Garcia mentioned that a red-lined version with the changes will be sent to the Board for consideration at the December 21 Board meeting. The committee members requested an explanation of the reasons CEFIA is not looking to partner with the distribution companies on long-term contracts.

The Deployment Committee members were asked to consider the resolution recommending the draft Guidelines and Procedures for CEFIA's Management of the Class I REC Asset Portfolio.

Upon a motion made by Mr. Choi, seconded by Mr. Esty, the Budget Committee members voted unanimously in favor of adopting the following resolution regarding the draft Guidelines and Procedures for CEFIA's Management of the Class I REC Asset Portfolio.

WHEREAS, Article V, section 5.3.2 of the Clean Energy Finance and Investment Authority ("CEFIA") Bylaws requires the Budget and Operations Committee (the "Committee") to recommend and monitor compliance with prudent fiscal policies, procedures, and practices to assure that CEFIA has the financial resources and financial strategy necessary to carry out its statutory responsibilities and mission.

NOW, THEREFORE, be it:

RESOLVED, that the Committee hereby recommends to the Board for approval the draft Guidelines and Procedures for CEFIA Management of Class I REC Asset Portfolio in substantially the form provided to the Committee in the memorandum dated December 4, 2013 and which may be revised by CEFIA staff from time to time to incorporate the recommendations of independent third party consultants with REC market expertise.

5. <u>Budget Update and Recommendations</u>:

Mr. Dykes reviewed the recommendation to amend the fiscal year 2014 budget by approximately $1,433,000. He summarized the amendments and noted that a majority of the increase for the C-PACE Program because the pipeline of projects is larger than anticipated. Mr. Dykes mentioned that after November 1, CEFIA began charging a closing fee for C-PACE transactions which will be used to offset costs. He stated that a majority of consulting expenditures has been moved to new line items for Technical Consultant and Marketing. Mr. Dykes explained the rationale for separating out and creating a new budget line item for the "Technical Administrator." He noted that in the past, the expenses were paid out of marketing and consultant lines. In response to a question, Mr. Dykes indicated that approximately $200,000 has been expended so far for marketing and consulting fees. Ms. Sherman explained CEFIA's partnership with Buonicore/Sustainable Real Estate Solutions, the technical administrator for the C-

PACE Program, and the services provided by the technical administrator. She discussed the technical review process and mentioned that the newly instituted closing fees will be shared with Buonicore. Ms. Sherman explained the rationale for recommending a new project assistant position for C-PACE.

Mr. Dykes discussed the recommendation to hire an asset manager or loan portfolio manager due to the increasing amount of loans in CEFIA's portfolio. He explained that the new position would be responsible for creating CEFIA's protocols for the management and implementation of the processes for asset management and contract requirements tracking. An approved position, the manager of finance, would be reallocated to cover this need.

Mr. Dykes discussed the recommended new budget line for Municipal Support of $80,000 to help support 45 towns to perform software updates and streamline the collection process for towns for the C-PACE Program. Additionally, Mr. Dykes stated that staff recommends a new budget line of $100,000 for Loan Servicing and Underwriting. Mr. Dykes explained that with the increased C-PACE applications, CEFIA staff will be unable to underwrite C-PACE transactions. He noted that the budget for loan servicing and underwriting will cover the contract with the C-PACE master servicer for 12 months as well as outsourcing underwriting. Mr. Dykes mentioned that staff recommends a reduction in Information Technology operations to $15,000, noting that most of the expenses will be paid from the town support budget.

Mr. Dykes reviewed the increase of approximately $600,000 in marketing. Ms. Sherman explained the importance of having consultants to support project development for the C-PACE program and to help develop sophisticated marketing campaigns. She discussed the things that have been done so far to help drive demand and introduce the program to the market.

Questions arose regarding potential impacts of imposing a closing fee. Ms. Sherman will send the Budget Committee members a copy of the closing fee schedule and program guideline schedule. She explained the calculations for the fee. Ms. Sherman mentioned that the fee can be included in the financing, and it covers a large portion of the technical review.

Mr. Dykes stated that the amendments recommended are through June 30, 2014, which is the end of the 2014 fiscal year. In response to a question, Mr. Dykes indicated that the budget increase will come from unrestricted cash.

Mr. Dykes discussed the residential programs. In accordance with Section 58 of Public Act 13-298, CEFIA is working with the Energy Conservation Management Board and public utilities to develop a residential clean energy on-bill repayment program financed by third-party private capital. He explained that due to timing issues the program was not included in the fiscal year 2014 budget. Mr. Dykes stated that staff recommends an additional $90,000 in the residential budget to cover the costs of the design and implementation of the program and a master servicer to manage the payment process between the utilities and lenders.

Mr. Dykes explained that CEFIA has created several special purpose vehicles ("SPVs") as part of the CT Solar Lease and CT Solar Loan financial structure. He noted the need to designate additional funding of up to $90,500 to cover audits for these SPVs and tax preparation services. Mr. Bellas stated that staff is currently negotiating the costs, and it is anticipated that the fees will be lower. Mr. Dykes asked the Budget Committee members to consider the amended staffing plan to reflect the hiring of an asset manager or loan portfolio manager.

Upon a motion made by Mr. Choi, seconded by Mr. Esty the Budget and Operations Committee members voted unanimously in favor of adopting the following resolution regarding the amended fiscal year 2014 and amended staffing plan:

RESOLVED, that the Clean Energy Finance and Investment Authority's ("CEFIA") Budget and Operations Committee (the "Committee") recommends that the CEFIA Board of Directors approves the requested $1,432,700 increase in the fiscal year 2014 budget outlined in Tables 2, 3 and 4 of the memorandum presented to the Committee dated December 4, 213 (the "Memorandum").

RESOLVED, the Committee recommends that the CEFIA Board of Directors approves the updated staffing plan detailed in Attachment 2 of the Memorandum.

6. <u>Adjournment</u>: Upon a motion made by Mr. Choi, seconded by Mr. Esty, the Budget Committee members voted unanimously in favor of adjourning the December 11, 2013 meeting at 3:38 p.m.

Respectfully submitted,

Daniel Esty, Chairperson of Budget Committee