

**DEPLOYMENT COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY
Minutes – Special Meeting
Thursday, February 9, 2012**

A special meeting of the Deployment Committee of the Board of Directors of the **Clean Energy Finance and Investment Authority (“CEFIA”)** was held on February 9, 2012, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. Call to Order: Reed Hundt, Chairperson of the Deployment Committee, called the meeting to order at 8:35 a.m. Deployment Committee members participating: Mark Cirilli; Reed Hundt; Donald Kirshbaum representing Denise Nappier, State Treasurer; Matthew Ranelli; and Patricia Wrice.

Other Board members attending: Daniel Esty, Vice Chair of CEFIA and Commissioner of the Department of Energy and Environmental Protection.

Staff Attending: Jocelyn Anastasiou, Christin Cifaldi, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Dale Hedman, , Bob Wall and Shelly Mondo.

Others Attending: Dot Kelly, Darien; and Jonathan Schrag, Department of Energy and Environmental Protection.

2. Introductions:

Mr. Hundt spoke about his background working with green banks and the Federal Green Bank Act of 2009. Although the bill was not enacted, Mr. Hundt stated that some of the ideas of lending were embedded in the American Recovery and Reinvestment Act of 2009. He talked about the importance of CEFIA and noted that other states are trying to emulate what Connecticut has done with the creation of CEFIA. Mr. Hundt mentioned that he, Governor Malloy and Commissioner Esty will be talking about Connecticut’s green bank initiative at the National Governors’ Association conference.

3. Public Comments:

Dot Kelly stated that she is hoping that one of CEFIA’s advisory committees would support having a member of the Connecticut Resource Recovery Authority (“CRRRA”) as an ex-officio member. She stated that the CRRRA is putting solar on the Hartford land fill. Ms. Kelly noted the opportunities with green banks and the importance of getting the word out. She encouraged CEFIA to do things “right” and make Connecticut a “smart” place.

4. Discussions of Goals and Objectives:

Mr. Garcia discussed the composition of the Deployment Committee. In accordance with CEFIA's Bylaws, the Deployment Committee shall consist of no more than six members, of which no less than three are directors of the Board. Mr. Garcia stated that currently, five directors from the Board have been appointed to the Deployment Committee. Additionally, the Chairperson of the Board can appoint advisory non-directors to the Deployment Committee. Mr. Garcia explained that the director members can vote on proposals. Non-director members of the Deployment Committee provide advice and guidance but are not authorized to vote on proposals. The State Treasurer or his/her designee is a voting ex-officio member of the committee. If there is not a sufficient number of voting members to constitute a quorum, Mr. Garcia explained that the Chairperson or the Vice Chairperson of the Board can participate and vote.

Mr. Garcia explained the principal functions and responsibilities of the Deployment Committee as identified in Section 5.3.3. of CEFIA's Bylaws. He mentioned that the Deployment Committee is authorized to act on behalf of the Board and consider and approve transactions between \$300,000 and \$2,500,000. The Deployment Committee would make a recommendation to the Board about transactions greater than \$2,500,000. Mr. Garcia stated that there is approximately \$13,000,000 of outstanding notes under the Solar Lease Program that the Deployment Committee may be asked to consider and make a recommendation to the Board on whether to continue to hold them or sell them.

In response to a request, Mr. Garcia provided an update on the hiring of a financial advisor. He stated that Lamont Financial Services was hired to act as financial advisor and is in the process of putting together a low cost financing structure for CEFIA. Mr. Garcia briefly spoke about the public finance experience of Lamont Financial Services. He noted that additionally, another consultant who has experience working with states across the country on leveraging state and federal funding, has also been hired and is working with Lamont.

5. Financing Standards:

Mr. Hundt discussed some of the assumptions made over the last 3.5 years about energy. He explained how those energy assumptions have changed dramatically over that time, particularly relating to natural gas costs. Mr. Hundt talked about exporting liquid natural gas and breaking down the dependency of the United States on oil from the Middle East. He noted the need to consider the changing predictions with respect to natural gas while framing energy costs. Mr. Hundt also noted the questions that have arisen about using taxpayer funds on anything other than developing natural gas. He noted the need for government funding for the necessary upfront incentives to allow solar in Connecticut to go forward and the need to implement some mechanisms in the future to pay that funding back.

Mr. Hundt spoke about some of the lessons learned from Solyndra, which include: 1) not starting off too fast or taking too many high risks; 2) constantly monitoring and learning as you go; and 3) being really transparent.

In light of changes to natural gas costs, changes in costs in the solar industry, and unanticipated changes, the Deployment Committee members discussed the need to regularly review the program structure to make adjustments if necessary

There was a general discussion about innovation and financing and whether CEFIA should be involved in both. A suggestion was made to work with CI when possible so that CEFIA's funding can be leveraged and its risks can be shared or reduced.

A discussion ensued on the solar industry and the market dislocation. Staff was asked to opine on whether to proceed with a solar residential program at this time or wait. There was consensus among staff that it is important to provide feedback to the stakeholders and provide clarity and some predictability about the program. Staff indicated that if CEFIA waits a year to approve a program, the residential solar market in Connecticut will disappear, Solar City and other companies may not come to Connecticut and Connecticut will lose momentum. It was noted that the solar installers have pipelines of customers waiting for subsidies to proceed. There was general consensus to move forward as soon as possible with a residential solar program and not to slow down the progress of the solar industry in Connecticut.

With respect to contractors, it was noted that contractors can be from other states but must be licensed in the State of Connecticut. Staff was asked to be cognizant and consider the out of state contractors when reporting job creation results.

There was consensus that public funding is necessary at this time to make a difference in the solar industry. Some concern was expressed that 30 megawatts, as required by the legislature, is too small to make a real difference. However, there is a desire to get people in the market. There was general consensus that CEFIA should try to lead by example, not spend a lot up front, evaluate its programs based on early results and to be transparent.

The Deployment Committee members discussed the proposed Residential Solar Photovoltaic Investment Program. The declining subsidy structure was reviewed. The legislation specifically requires the structure of the subsidy program to be declining in an effort to eventually create a self-sustaining industry. It was noted that incentives entice various people to do various things, including attracting solar installers to come to Connecticut to do business. The Deployment Committee members noted the importance of having strong incentives to drive costs down while also recognizing the need to protect ratepayers/taxpayers from overpaying. There was some discussion about the ratepayers/taxpayers and to whom the CEFIA subsidy would be paid. There was concurrence that the Deployment Committee should have a discussion in the future about the differences between the ratepayers and taxpayers.

Mr. Garcia noted that revisions were made to the proposed Residential Solar PV Investment Program based on feedback received from the Deployment Committee members and the Board. He indicated that staff will continue to develop an innovative financing concept for ratepayer payback. A suggestion was made to have the financing program totally independent and separate from the investment program.

Considering both the requirements of the statute and desire to provide some consistency for the stakeholders, the Deployment Committee discussed various options for determining an appropriate time frame to reassess the process and progress. There was general consensus to start off fairly slow and learn from lessons.

The Deployment Committee reviewed the proposed resolution regarding the Residential Solar Photovoltaic Investment Program and suggested several changes: 1) to delete Section 2.3.2. "Financing" in the program plan, 2) approval of a total allocation of \$7,500,000 (inclusive and not in addition to any previous funding authorized) for projects, 3) when \$5,000,000 has been committed, the Deployment Committee will decide whether and how to modify the program Plan after steps one and two.

There was consensus to have staff amend the proposed resolution accordingly and to reconvene at 12:30 p.m. to consider the amended resolution.

6. Financial Assistance Agreement Extensions for Smith Elementary School, West Hartford and Whole Foods, Cheshire:

Ms. Cifaldi mentioned that in February 2010 and June 2010, the Connecticut Clean Energy Fund Projects Committee approved grants in the amount of \$299,900 and \$344,970, respectively, for SunEdison projects to be installed on the Smith Elementary School, West Hartford, and Whole Foods Distribution Center, Cheshire. She indicated that SunEdison has experienced delays and the dates for completion of the projects have expired. SunEdison has requested an extension to April 30, 2012 to complete the projects.

Upon a motion made by Mr. Cirilli, seconded by Mr. Esty, the Deployment Committee members voted unanimously in favor of adopting the following resolutions regarding the extension of the completion of commercial solar PV projects for 1) Smith Elementary School, West Hartford, and 2) Whole Foods Distribution Center, Cheshire:

**RESOLUTION EXTENDING COMMISSIONING DATE FOR
SMITH ELEMENTARY SCHOOL, WEST HARTFORD**

WHEREAS, a Standard Grant Agreement ("Agreement") was executed between CEFA and SunEdison Origination3, LLC ("SunEdison") on August 16, 2010, ("Effective

Date”), for a solar photovoltaic (“PV”) system to be located at the Smith Elementary School, 64 Saint James Street, West Hartford, Connecticut;

WHEREAS, the PV system was to be installed, tested and accepted by SunEdison within one year from the Effective Date of the Agreement (“Commissioning Date”); and

WHEREAS, SunEdison has requested and CEFIA has agreed to an extension to April 30, 2012 for the Commissioning Date.

NOW, THEREFORE, BE IT:

RESOLVED, that the Commissioning Date for the Agreement between CEFIA and SunEdison is revised from August 16, 2011 to April 30, 2012; and

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-referenced legal instrument.

**RESOLUTION EXTENDING COMMISSIONING DATE FOR
WHOLE FOODS DISTRIBUTION WAREHOUSE, CHESHIRE**

WHEREAS, a Standard Grant Agreement (“Agreement”) was executed between CEFIA and SunEdison Origination1, LLC (“SunEdison”) on August 16, 2010, (“Effective Date”), for a solar photovoltaic (“PV”) system to be located at the Whole Foods Distribution Warehouse, 400 East Johnson Avenue, Cheshire, Connecticut;

WHEREAS, the PV system was to be installed, tested and accepted by SunEdison within one year from the Effective Date of the Agreement (“Commissioning Date”); and

WHEREAS, SunEdison has requested and CEFIA has agreed to an extension to April 30, 2012 for the Commissioning Date.

NOW, THEREFORE, BE IT:

RESOLVED, that the Commissioning Date for the Agreement between CEFIA and SunEdison is revised from August 16, 2011 to April 30, 2012; and

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-referenced legal instrument.

7. **Financing Standards:**

Attorney Farnen mentioned that there are certain protocols and processes that have to be in place before any funds can flow through CEFIA. Staff will look through the resolutions and documents previously adopted by the CEFIA Board to determine whether additional documentation is necessary.

The meeting was recessed at 11:00 a.m., and reconvened at 12:45 p.m.

Attorney Farnen described the changes made to the draft resolution based on the feedback from Deployment Board members for the Deployment Committee's recommendation for approval of the Residential Solar Photovoltaic Investment Program. He explained that the Deployment Committee members indicated the desire to authorize funding of \$7,500,000 for the financial incentives steps.. Attorney Farnen noted that the \$7,500,000 does not include operating expenses for items such as legal fees, marketing, workforce development efforts, monitoring and evaluating, quality assurance measures, inspections, etc. over the next two years. He explained that the revised amount in the resolution of \$9,750,000, includes operating expenses. Some concern was expressed that the operating budget is too high and noted the need to be cautious with ratepayer funds. Staff indicated that the operating budget of \$2,250,000 is the maximum amount that will be spent, and efforts will be made to minimize costs as much as possible. Mr. Hundt reiterated that \$7,500,000 is intended to provide funding for individual projects, and \$2,250,000 is to fund operating costs for the program.

Upon a motion made by Mr. Ranelli, seconded by Mr. Esty, the Deployment Committee members voted unanimously in favor of adopting the following resolution recommending approval by the CEFIA Board of the Residential Solar Photovoltaic Investment Program:

WHEREAS, Section 106 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") requires the Clean Energy Finance and Investment Authority ("CEFIA") to design and implement a Residential Solar Photovoltaic Investment Program ("Program Plan") that results in a minimum of thirty (30) megawatts of new residential photovoltaic installation in Connecticut before December 31, 2022.

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared this Program Plan to identify barriers to the development of a permanent Connecticut-based solar workforce and support comprehensive training and accreditation and certification programs.

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared this Program Plan to offer direct financial incentives, in the form of performance-based

incentives or expected performance-based buydowns, for the purchase or lease of qualifying residential solar photovoltaic systems.

WHEREAS, CEFIA has prepared a declining incentive block schedule (“Schedule”) that: (1) provides for a series of solar capacity blocks, the combined total of which shall be a minimum of thirty (30) megawatts and projected incentive levels for each such block; (2) provides incentives that are sufficient to meet reasonable payback expectations of the residential consumer; (3) provides incentives that decline over time and will foster the sustained, orderly development of a state-based solar industry; (4) automatically adjusts to the next block; and (5) provides comparable economic incentives for the purchase or lease of qualifying residential solar photovoltaic systems.

NOW, THEREFORE, BE IT:

RESOLVED, that the Deployment Committee of CEFIA hereby recommends approval of the Program Plan and Schedule as presented by the CEFIA staff and as subsequently modified by the Deployment Committee.

RESOLVED, that Section 2.3.2—Financing of the Program Plan is hereby deleted and will be reviewed by the Deployment Committee at a later date for approval.

RESOLVED, that the Deployment Committee recommends approval of a total allocation of \$9,750,000 (inclusive and not in addition to any previous funding) to be used for (1) incentives supporting steps one and two of the Program Plan and (2) program operations.

RESOLVED, the CEFIA staff will (1) continuously monitor activities pursuant to the Program Plan and (2) provide quarterly updates to the Deployment Committee.

RESOLVED, at the point that \$5,000,000 has been committed to projects under the Program, the Deployment Committee will decide whether and how to modify the Program Plan after steps one and two to ensure the sustained and orderly deployment of the residential solar market in Connecticut.

RESOLVED, that this Board action is consistent with Section 106 of the Act.

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 this Resolution.

The Deployment Committee will meet quarterly, and any requests for an emergency special meeting should be directed to Mr. Hundt.

8. **Adjournment**: Upon a motion made by Mr. Cirilli, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adjourning the February 9, 2012 meeting at 1:16 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee