

DEPLOYMENT COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Minutes – Special Meeting
Friday, February 15, 2013

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 15, 2013, at the office of CEFIA, 865 Brook Street, Rocky Hill, CT.

1. **Call to Order:** Noting the presence of a quorum, Reed Hundt, Chairperson of the Deployment Committee, called the meeting to order at 11:40 a.m. Deployment Committee members participating: Reed Hundt (by phone); Sharon Dixon-Peay representing Denise Nappier, State Treasurer; and Matthew Ranelli.

Absent: Patricia Wrice.

Other Board member present: Norma Glover.

Staff Attending: Jessica Bailey, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Dave Ljungquist, Shelly Mondo and Rick Ross.

Other Attending: Rick McCarthy, State Treasurer’s Office.

2. **Public Comments:**

There were no public comments.

3. **Approval of Meeting Minutes:**

Mr. Hundt asked the Deployment Committee members to consider the minutes from the November 30, 2012 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Dixon-Peay, the Deployment Committee members voted unanimously in favor of adopting the minutes from the November 30, 2012 meeting as presented.

4. **C-PACE Transaction for 855 Main Street, Bridgeport:**

Mr. Garcia indicated that while performing due diligence for the 855 Main Street, Bridgeport C-PACE transaction, staff considered the following key issues—relevance to CEFIA’s Strategic Plan, ratepayer payback, terms and conditions of the ratepayer payback, capital expended, risks and the target market. Ms. Bailey discussed the C-PACE proposal for 855 Main Street, Bridgeport, reviewing the costs for building upgrades, projected savings, payback for the upgrades, the structure of the loan, and the terms and conditions of the loan. Ms. Bailey talked about the key financial metrics. The Deployment Committee members asked how staff determines whether the rate of return to the owner is too high, too low or sufficient. Mr. Hunter explained that the returns translate to debt service coverage ratios and better coverage ratios ultimately lead to lower cost of funds. He noted that the returns at this time appear to be the amount needed. However, as more transactions occur, adjustments may have to be made. Questions arose regarding the ECM reports, and staff was asked to ensure that the contract is reviewed to ensure that an integrated systems report is generated rather than just an ECM report to compare the actual performance with projections. The Deployment Committee asked that staff routinely provide and highlight the dollar savings and the savings to expense ratio.

Upon a motion made by Mr. Ranelli, seconded by Ms. Dixon-Peay, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding a construction and term loan for 855 Main Street, Bridgeport, a C-PACE transaction:

WHEREAS, Section 99 of Public Act 11-80 “An Act Concerning the Establishment of the Department of Energy and the Department of Energy and Environmental Protection and Planning of Connecticut’s Energy Future” (the “Act”), CEFIA is directed to, amongst other things, develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine; and

WHEREAS, Section 157 of Pubic Act 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly, CEFIA is directed to, amongst other things, establish a commercial sustainable energy program in Connecticut, known as Commercial Property Assessed Clean Energy (“C-PACE”); and

WHEREAS, the CEFIA Board of Directors has approved a \$20,000,000 C-PACE loan line item for a construction and term loan program; and

WHEREAS, CEFIA seeks to provide a \$1,992,976 construction and (potentially) term loan under the C-PACE program to Main Street Ventures, LLC, the property owner of 855 Main Street, Bridgeport, to finance the construction of specified energy efficiency measures in line with the State’s Draft Comprehensive Energy Strategy and CEFIA’s Strategic Plan.

NOW, therefore, be it:

RESOLVED:

- (1) that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver, a C-PACE construction and term loan in the amount of \$1,992,976 to Main Street Ventures, LLC for the construction of specific energy efficiency measures at 855 Main Street, Bridgeport, CT with the terms and conditions consistent with the memorandum submitted to the Deployment Committee dated February 8, 2013 and as he or she shall deem to be in the interests of CEFIA and the ratepayers.
- (2) that the proper CEFIA officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

5. Residential Sector Programs:

a. Winn-LISC Update and Approval:

Mr. Hunter indicated that the Deployment Committee in August 2012 authorized staff to enter into a conditional commitment letter to provide credit enhancements in a Multifamily Energy Loan Fund Pilot Program in energy efficiency for low to moderate income multifamily properties in Connecticut but requested that the Deployment Committee approve the final definitive terms and conditions of CEFIA's participation. Mr. Hunter described the terms and conditions of the credit enhancement to be provided by CEFIA.

Upon a motion made by Mr. Ranelli, seconded by Ms. Dixon-Peay, the Deployment Committee members voted unanimously in favor of adopting the following resolution approving the final terms of CEFIA's participation in the Multifamily Energy Loan Fund Pilot Program:

WHEREAS, Section 99 of Public Act 11-80 "An Act Concerning the Establishment of the Department of Energy and the Department of Energy and Environmental Protection and Planning of Connecticut's Energy Future (the "Act"), CEFIA is directed to, amongst other things, develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the authority may determine; and

WHEREAS, the Deployment Committee at a special meeting held on August 24, 2012 (the "Special Meeting"), voted unanimously in favor of resolutions which, among other things, approved a conditional commitment letter for up to \$2,000,000 of credit enhancement for an Energy Loan Fund pilot program in energy efficiency for low to

moderate income multifamily properties in Connecticut and involving the Connecticut Housing Finance Authority, U.S. Department of Housing and Urban Development (“HUD”), NRG Solutions LLC (“NRG”) (an affiliate of Winn Development), and Local Initiatives Support Corporation (“LISC”) under HUD’s Energy Innovation Fund (the “Pilot Program”); and

WHEREAS, at the Special Meeting, the Deployment Committee authorized staff to continue negotiating final terms and conditions for the Pilot Program and instructed staff to come back to the Deployment Committee for approval of the final definitive terms and conditions of CEFIA’s participation in the Pilot Program at a later date; and

WHEREAS, since that meeting, staff has negotiated with NRG and LISC concerning such terms and conditions and such final definitive terms and conditions of CEFIA’s participation are contained in a revised term sheet (attached to these resolutions) in respect of the key terms and conditions of the credit enhancement to be provided by CEFIA.

NOW, therefore, be it:

RESOLVED:

- (1) that the Deployment Committee hereby approve the final definitive terms and conditions of CEFIA’s participation in the Pilot Program as set forth in the attached Exhibit A.
- (2) that this Deployment Committee action is consistent with CEFIA’s Comprehensive Plan and Section 5.3.3 of CEFIA’s Bylaws.
- (3) 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.

6. Statutorily Required Programs:

a. Residential Solar Investment Program—Step 3 for the PBI

Mr. Hedman presented staff’s recommendation for a performance based incentive (“PBI”) of \$225 per megawatt hour paid each year based on actual performance of the relevant PV system over the course of 6 years for systems less than 10 kilowatts. This change would make the PBI incentive comparable with the expected performance-based buydown incentive. Mr. Hedman indicated that the change would also help to achieve a leverage of non-ratepayer funds to 3 to 1 and help CEFIA to continue to move from a subsidy program to a low-cost and long-term financing program.

The Deployment Committee members asked staff consider and report back at the next meeting about the returns and prices for the end-users for both the rebate and PBI

models. The Deployment Committee members suggested amending the resolution to include an end date for both models.

Upon a motion made by Mr. Ranelli, seconded by Ms. Dixon-Peay, the Deployment Committee members voted unanimously in favor of adopting the following resolution recommending to the Board the establishment of a performance-based incentive for Step 3 of the Residential Solar Investment Program:

WHEREAS, Section 106 of Public Act 11-80 “An Act Concerning the Establishment of the Department of Energy and the Department of Energy and Environmental Protection and Planning of Connecticut’s Energy Future (the “Act”), requires the Clean Energy Finance and Investment Authority (“CEFIA”) to design and implement a Residential Solar Photovoltaic (“PV”) Investment Program (“Program Plan”) that results in a minimum of thirty (30) megawatts of new residential PV installation in Connecticut before December 31, 2022; and

WHEREAS, pursuant to Section 106 of the Act, CEFIA has prepared a Program Plan and a declining incentive block schedule (“Schedule”) that offer direct financial incentives, in the form of Performance-Based Incentives (“PBI”) (i.e. lease model) and Expected Performance-Based Buydown Incentives (“EPBB”) (i.e. rebate model), for the lease or purchase of qualifying residential solar PV systems.

NOW, therefore, be it:

RESOLVED:

- (1) that the Deployment Committee hereby recommends to the Board of Directors that the PBI for Step 3 of the Schedule be established at \$225 a megawatt-hour (“MWh”), to be paid each year based on actual performance of the relevant PV system over the course of 6 years.
 - (2) the Step 3 incentive shall immediately terminate when (1) committed capacity has been reached for either the PBI Step 3 incentive schedule or the EPBB Step 3 incentive schedule, or (2) December 31, 2013, whichever comes first,.
 - (3) that this Deployment Committee action is consistent with Section 106 of the Act.
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b. *CHP RFP Project Recommendations for Approval:*

“Norwalk Hospital, Norwalk, CT”

Mr. Ross reviewed the recommendation to provide funding under CEFIA’s Combined Heat and Power (“CHP”) Pilot Program for Norwalk Hospital. The hospital intends to replace an existing natural gas fired turbine with a new highly efficient 3 MW slow speed, natural gas fired reciprocating engine. Mr. Ross described the project, the costs, the value of the waste heat, the per watt subsidy, incentive, payback and internal rate of return. He noted that the new system is expected to save the hospital more than \$800,000 per year in energy costs. The Deployment Committee asked that all project descriptions include the clean electrons for every dollar of CEFIA funds provided.

Upon a motion made by Mr. Ranelli, seconded by Ms. Dixon-Peay, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding funding under the CHP for Norwalk Hospital, Norwalk:

RESOLVED:

- (1) that the Deployment Committee, a committee of the Board of Directors of the Clean Energy Finance and Investment Authority (“CEFIA Board”), has determined that the Combined Heat & Power (“CHP”) Norwalk Hospital project at 24 Stevens Street, Norwalk, CT for a 3,000 kW system (“Project”), is consistent with Public Act 11-80, Section 103 as revised in Section 156 of Public Act 12-2, the CEFIA Comprehensive Plan and in the interest of ratepayers, and that grant funding in the amount not to exceed \$630,000 be approved for the Project; and
 - (2) that if sufficient funds are available to fund the Project, then the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver for and on behalf of CEFIA, not later than August 31, 2013, any contract or other legal instrument necessary to effect the grant on such terms and conditions as he or she shall deem to be in the interests of CEFIA and the ratepayers; and
 - (3) 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-mentioned legal instrument.
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“Wesleyan University, Middletown, CT”

Noting a potential conflict of interest, Mr. Ranelli did not participate in the discussion or vote on the Wesleyan University proposal.

Mr. Ross discussed the recommendation to provide funding under CEFIA’s Combined Heat and Power (“CHP”) Pilot Program for Wesleyan University, Middletown. The University will install a 75 kW natural gas fired reciprocating engine at the Freeman Athletic Center on the main campus. Mr. Ross described the project, the costs, the value of the waste heat, the per watt subsidy, incentive, payback and internal rate of return. The new system is expected to save the University more than \$300,000 per year in energy costs.

Upon a motion made by Ms. Dixon-Peay, seconded by Mr. Hundt, the Deployment Committee members voted in favor of adopting the following resolution regarding funding under the CHP for Wesleyan University, Middletown, CT (Mr. Ranelli abstained from the vote):

RESOLVED:

- (1) that the Deployment Committee, a committee of the Board of Directors of the Clean Energy Finance and Investment Authority (“CEFIA Board”), has determined that the Combined Heat & Power (“CHP”) Wesleyan University project at 161 Cross Street, Middletown, CT for a 675 kW system (“Project”), is consistent with Public Act 11-80, Section 103 as revised in Section 156 of Public Act 12-2, the CEFIA Comprehensive Plan and in the interest of ratepayers, and that grant funding in the amount not to exceed \$300,000 be approved for the Project; and
 - (2) that if sufficient funds are available to fund the Project, then the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver for and on behalf of CEFIA, not later than August 31, 2013, any contract or other legal instrument necessary to effect the grant on such terms and conditions as he or she shall deem to be in the interests of CEFIA and the ratepayers; and
 - (3) 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-mentioned legal instrument.
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7. Updates:

Mr. Garcia provided a brief update on the Solar PV loan rollout. He noted that in Phase I CEFIA will provide up to \$1,500,000 for the loan product and \$300,000 of American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) funds for a loan loss reserve. It is anticipated that the first loan applications will occur in mid-March.

In accordance with the resolution approved by the CEFIA Board in January 2013, Mr. Garcia reported on the approvals made by staff for requests for funding below \$300,000. In total, staff approved \$408,531 of funding requests (approximately \$175,000 in grants and \$235,000 in loans) as follows:

- \$141,000 grant funding for Florence Blackham Elementary School under the OSDG “Best of Class Programs”
- \$32,000 grant funding for Chester Town Hall under the Clean Energy Communities Program
- \$50,000 loan for the Community District Heating and Cooling System for a Feasibility Study
- \$185,231 loan for 542 Westport Avenue under the Commercial Clean Energy Financing Program.

Mr. Garcia provided a brief update on Campus Efficiency Now.

8. Adjournment: Upon a motion made by Ms. Dixon-Peay, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adjourning the meeting at 12:20 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee