

DEPLOYMENT COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

**Minutes – Regular Meeting
Friday, March 7, 2014**

A regular meeting of the Deployment Committee of the Board of Directors of the **Clean Energy Finance and Investment Authority (“CEFIA”)** was held on March 7, 2014, at the office of CEFIA, 845 Brook Street, Rocky Hill, CT.

1. Call to Order: Mr. Hundt, noting the presence of a quorum, called the Deployment Committee meeting to order at 3:04 p.m. Deployment Committee members participating: Tracy Babbidge representing Robert Klee (by phone); Bettina Ferguson representing Denise Nappier, State Treasurer; Reed Hundt (by phone); Matthew Ranelli; and Patricia Wrice (by phone).

Staff Attending: Jessica Bailey, George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Shelly Mondo, Kerry O’Neill, and Kimberly Stevenson.

2. Public Comments:

There were no public comments.

3. Approval of Meeting Minutes:

The Deployment Committee members were asked to consider the minutes from the December 11, 2013 meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Deployment Committee members voted in favor of adopting the minutes from the December 11, 2013 meeting as presented (Ms. Ferguson abstained from the vote).

4. Residential Sector Program Recommendations:

a. *Low-Income Multifamily Financing Program*

Ms. Stevenson provided an overview of the Multifamily Permanent Energy Loan Program (MPEL) administered by the Connecticut Housing Investment Fund (CHIF). She explained that a number of multifamily properties that receive electric and gas utility incentives for energy upgrades are not able to move forward with energy upgrades because of gaps between the amounts of the incentives provided and the costs of the recommended upgrades. Ms. Stevenson stated that there are approximately 2,000 low-income multifamily housing units in the pipeline ready to proceed with gap funding from the American Recovery and Reinvestment Act State Energy Program (ARRA-SEP) to help finance comprehensive energy audits and upgrades. She explained the proposal for CEFIA to leverage a \$300,000 credit enhancement mechanism using repurposed ARRA-SEP funds or ratepayer dollars to support an initial pool of \$1,000,000 in third party capital. Mr. Hunter explained the worst case scenario, the financial impact, and the objective function of the program. It was noted that the Department of Energy (DOE) has confirmed that this is an appropriate use of the ARRA-SEP funding, and staff will comply with reporting requirements of the DOE.

Attorney Farnen explained that in October 2013, the Board adopted a resolution regarding the deployment of the remaining ARRA-SEP funding and approved programs, including a "to-be-developed CHIF product" to be brought back to the Board for review and final approval. Given the urgency of moving the program forward and the approval authority delegated to the Deployment Committee, Mr. Garcia opined that the authorization before the Deployment Committee is likely to be within the intent of the Board and that given the priority it is important to begin building out programs for multifamily and affordable housing. There was a consensus amongst committee members that the matter will be reported out as an update to the Board of Directors at the next meeting.

Upon a motion made by Mr. Ranelli, seconded by Ms. Ferguson, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding the Low-Income Multifamily Financing Program:

WHEREAS, the Clean Energy Finance and Investment Authority (CEFIA) has entered into a Memorandum of Agreement (MOA) with the Department of Energy and Environmental Protection (DEEP) to repurpose American Recovery and Reinvestment Act State Energy Program (ARRA-SEP) funds for the undertaking of a project of mutual interest;

WHEREAS, the project of mutual interest set forth in the MOA is to provide funding for credit enhancements (i.e. loan loss reserves, interest rate buy-downs, third-

party loan insurance) for two financing programs administered by CEFIA. The two programs supported by this funding are the Residential Clean Energy Financing Program and the Clean Energy Financial Innovation Program;

WHEREAS, the Clean Energy Financial Innovation Program shall be used to leverage additional public and private sector sources of capital through a competitive solicitation process designed and administered through CEFIA; and

WHEREAS, the Connecticut Housing Investment Fund, Inc. (CHIF) was down selected under CEFIA's competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with CEFIA that led to the development of the CHIF Multifamily Permanent Energy Loan Program (MPEL).

NOW, therefore, be it:

RESOLVED, that funding be approved for the Program in an amount not to exceed \$300,000 for a Loan Loss Reserve (Credit Enhancements) through the use of repurposed ARRA-SEP program funds;

RESOLVED, that if CEFIA staff reasonably determines that using ARRA-SEP program funds will hinder deployment under the MPEL Program due to federal restrictions on the use of such funds, then \$300,000 in ratepayer funds may instead be substituted to establish these same Credit Enhancements.

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract or other legal instrument necessary to effect the Credit Enhancements on such terms and conditions as are materially consistent with the diligence memo submitted to the CEFIA Deployment Committee on February 28, 2014 and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than six months from the date of this resolution.

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-mentioned legal instrument.

b. Smart-E Loan—Revised Term Sheet

Mr. Hunter noted that the Deployment Committee approved the Smart-E Loan Program in November 2012, which at that time was called the CT HELPs, a technology agnostic program to provide low-cost, long-term financing for energy efficiency and renewable energy improvement projects. Mr. Hunter explained that staff recommends updating the Smart-E term sheet to reflect flexibility in loan amounts, loan duration and various incremental updates.

Upon a motion made by Ms. Ferguson, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of

adopting the following resolution regarding the revised term sheet for the Smart-E Loan Program:

WHEREAS, at a Special Meeting of the Deployment Committee held on November 30, 2012 the Deployment Committee passed resolutions to approve the Smart-E Loan Program (originally called the “CT HELPs Program”),

WHEREAS, the CEFIA Board of Directors approved certain revisions to CEFIA residential programs supported through American Recovery and Reinvestment Act - State Energy Program (ARRA-SEP) funding, including the Smart-E Loan Program, and as described in the “ARRA-SEP Update and Staff Proposal: CEFIA Residential Programs” memorandum dated October 11, 2013; and

WHEREAS, CEFIA staff has requested certain revisions and updates to the Smart-E Loan Program lender term sheet regarding program loan amounts, length of loans and incremental programmatic upgrades as a result of experience with the program during the past 15 months.

NOW, therefore, be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver any contract or other legal instrument necessary to effect certain revisions and updates to the Smart-E Loan Program lender term sheets and Financing Program Agreements with existing and potential participating lenders with terms and conditions materially consistent with the Memorandum to the Deployment Committee dated February 28, 2014 and as he or she shall deem to be in the interests of CEFIA and the ratepayers.

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-mentioned legal instruments.

c. On-Bill Repayment Process and Program

Mr. Hunter noted that Section 58 of Public Act 13-298 requires CEFIA to develop, together with the Energy Efficiency Board (EEB) and input from the public utilities, and implement an on-bill repayment (OBR) program for residential consumers using private capital. He stated that recommendation is being made to phase in the implementation due to the complexities involved and to start with the Smart-E Loan Program. Mr. Hunter explained the proposed structure of phase 1 for the Smart-E OBR program. He stated that subsequent phases will include other loan products, transferability provisions and shutoff for nonpayment. In response to a question, Mr. Hunter stated that the target date for implementing the first phase is January 1, 2015. After approval by the EEB there will be a filing with the Public Utilities Regulatory Authority. Staff will provide the Deployment Committee with the proposed schedule. The Deployment Committee members asked that under the program, people be advised of the programs available

(i.e. Home Energy Solutions audit) and that the Connecticut Energy Efficiency Fund provide some financial support to the program given that their programs would benefit from private capital investments in energy efficiency. Mr. Hunter reviewed the worst case scenario, the financial impact, how CEFIA can be made whole and the program objective function. It was noted that information about repayment defaults and other data will be helpful with the overall PURA process.

Upon a motion made by Ms. Ferguson, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding the On-Bill Repayment Program:

WHEREAS, in July of 2011, the Connecticut general Assembly passed Public Act 11-80, "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECICUT'S ENERGY FUTURE," which created the Clean Energy Finance and Investment Authority (CEFIA) to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in November of 2012, the Commissioner of the Department of Energy and Environmental Protection (DEEP) and Co-Chair of the Energy Efficient Board (EEB) requested that CEFIA investigate the establishment of an on-bill program for residential customers that uses low-cost private capital to finance energy efficiency, heating equipment upgrades or conversions and renewable energy improvements;

WHEREAS, in February of 2013, the DEEP released the Comprehensive Energy Strategy (CES) for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program and the development of an on bill repayment program for residential customers with a utility shutoff provision for failure to make loan repayments;

WHEREAS, in May of 2013, CEFIA launched the Smart-E Loan Program statewide as of November 2013, with 9 credit unions and community banks providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan uses \$2.8 million of repurposed ARRA-SEP funds to attract nearly \$30 million of private investment from local financial institutions;

WHEREAS, in July of 2013, the Connecticut General Assembly passed Public Act 13-298, AN ACT CONVERNING IMPLEMENTATION OF CONNTECTICUT'S COMPREHENSIVE ENERGY STRATEGY AND VARIOUS REVISIONS TO THE ENERGY STATUTES," which charges CEFIA and the EEB, in consultation with the utilities, to develop a residential on-bill repayment program financed by third-party private capital and managed by CEFIA;

WHEREAS, such residential on-bill repayment program shall be developed by April 1, 2014 and are subject to review by Public Utilities Regulatory Authority's (PURA) through an uncontested proceeding in regards to (1) the ramifications of on-bill repayment and the risks associated with disconnection of service of low-income and hardship customers, (2) transferability and stay with the meter guidelines and related notice guidelines, and (3) the ability for a customer to utilize the on-bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source;

WHEREAS, in December of 2013, CEFIA approached the EEB to jointly develop the residential on-bill repayment program in consultation with the utilities; and

WHEREAS, CEFIA and the EEB are undertaking a multi-phase process to develop and implement the on-bill repayment process to leverage current utility capabilities and enter the market quickly with an on-bill option for Smart-E, while taking needed time to develop guidelines for a full implementation of the statutory requirements set forth in Public Act 13-298.

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors approval of the Phase One Smart-E On-Bill Repayment Program materially consistent with this On-Bill Repayment Program Due Diligence Package dated February 28, 2014.

RESOLVED, that the Deployment committee hereby directs CEFIA staff to develop the subsequent on-bill repayment phases for the Deployment Committee's review and subject to CEFIA Board of Directors' approval and such phases shall incorporate all program features of Section 58 of Public Act 13-298 which includes (1) the ramifications and the risks associated with the disconnection of service (i.e. shutoff), (2) transferability and stay with the meter guidelines, and (3) the ability for a customer to utilize the on-bill repayment program regardless of whether the energy or fuel delivered by the utility is the customer's primary energy source.

5. Statutory and Infrastructure Sector Program Recommendations:

a. Bridgeport Anaerobic Digester Project

Mr. Ross provided an overview of the Anaerobic Digester Program required under Section 103 of Pubic Act 11-80 using grants, loans or Power Purchase Agreements. He described the Bridgeport Anaerobic Digester Project, a 1.55 MW anaerobic digester project located adjacent to Bridgeport's largest waste water treatment plant. He noted that there is a 20-year agreement with the City of Bridgeport for both power purchase and waste sludge for the two waste water treatment plants and a long-term land lease with the city. Mr. Ross discussed the proposal to provide a loan of approximately

\$3,200,000 in long-term subordinated debt, which would be used to leverage six times the amount in private capital. He reviewed the financial impact, how CEFIA will be made whole and the project objective function. Since the proposed loan exceeds the \$2,500,000 that the Deployment Committee is authorized to approve, the Deployment Committee is being asked to make a recommendation to the Board.

Upon a motion made by Ms. Ferguson, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding the Bridgeport Anaerobic Digester Project:

WHEREAS, in early 2013, the Clean Energy Finance & Investment Authority (CEFIA) released a rolling Request for Proposals in the third round of solicitations for anaerobic digestion (AD) projects to participate in a statutorily mandated AD Pilot program, an initiative aimed at reducing landfill waste through the recycling of organics and helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and recoverable heat; and

WHEREAS, Bridgeport Bioenergy Facility, LLC (BBF) submitted the Bridgeport Bioenergy Facility proposal to develop, in the City of Bridgeport, a 1.55MW anaerobic digestion and cogeneration project, and after a thorough review, was selected as a project that is consistent with the AD Pilot Program, the CEFIA Comprehensive Plan and in the best interests of ratepayers.

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors that the Board of Directors provide approval for CEFIA to execute definitive loan documentation materially based on the term sheet set forth in this due diligence package for financial support in the form of a \$3,282,125 subordinated loan financing.

RESOLVED, that the Deployment Committee's recommendation to the CEFIA Board of Directors is conditioned upon the completion of CEFIA staff's due diligence review, including CEFIA's review and reasonable satisfaction with all project documentation that CEFIA is not a party to.

b. Southington Anaerobic Digester Project

Mr. Ross described the proposed Southington Anaerobic Digester project, a 1.1 MW anaerobic digester project located in Southington. He indicated that an agreement has been reached with the Town of Southington for a long-term power purchase agreement. Mr. Ross stated that the facility is capable of handling up to 40,000 tons a year of food based organic material. The facility is also capable of pulping and de-packaging

inorganic products and diverting goods into a recycling bin. Mr. Ross mentioned that an investment of approximately \$2,000,000 from CEFIA would leverage about five times private capital. He discussed the financial impact, how CEFIA will be made whole, and the project objective function. Mr. Farnen clarified that both the Bridgeport and Southington Anaerobic Digester projects are part of the rolling Request for Proposals and are not considered a “strategic investment.” Questions arose regarding the selection of developers for each of the projects, and Mr. Ross indicated that the developers are large and reputable developers. In response to a question, it was noted that there are other projects in the pipeline, but these projects were ready to proceed.

Upon a motion made by Ms. Ferguson, seconded by Mr. Ranelli, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding the Southington Anaerobic Digester Project:

WHEREAS, in early 2013, the Clean Energy Finance & Investment Authority (CEFIA) released a rolling Request for Proposals in the third round of solicitations for anaerobic digestion (AD) projects to participate in a statutorily mandated AD Pilot program, an initiative aimed at reducing landfill waste through the recycling of organics and helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and recoverable heat; and

WHEREAS, Quantum Biopower, LLC (QB) submitted the Quantum Biopower facility proposal to develop in the City of Southington a 1.062MW anaerobic digestion and cogeneration project, and after a thorough review, was selected as a project that is consistent with the AD Pilot Program, the CEFIA Comprehensive Plan and in the best interests of ratepayers.

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA is authorized to execute and deliver definitive loan documentation materially based on the term sheet set forth in this due diligence package for financial support in the form of a \$1,997,403 subordinated loan financing, and as he or she shall deem to be in the interests of CEFIA and the ratepayers.

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-mentioned legal instruments.

RESOLVED, that the Deployment Committee’s recommendation for approval is conditioned upon the completion of CEFIA staff’s due diligence review, including CEFIA’s review and reasonable satisfaction with all project documentation that CEFIA is not a party to.

c. Colebrook Wind Project:

Mr. Hunter discussed the background of the Connecticut Clean Energy Fund's involvement with the Colebrook Wind project, a 5 MW wind project located in Colebrook. The developer is requesting an investment from CEFIA of approximately \$2,800,000 (\$2,000,000 in long-term mezzanine (i.e., subordinated) debt (inclusive of a refinancing of the predevelopment loan previously advanced to the developer by the Connecticut Clean Energy Fund in the principal amount of \$500,000 plus accrued interest of approximately \$100,000) and \$800,000 in the form of a working capital facility) which will be used to leverage approximately 10 times the amount in private capital. Due to the size of the request, the Deployment Committee members are being asked to consider a recommendation about the strategic selection and award to the Board. Mr. Hunter stated that Section 127 of Public Act 11-80 requires the Department of Energy and Environmental Protection and the electric distribution companies to procure 30 MW of grid-tied renewable energy systems. He explained that the Colebrook Project benefits from a 20-year Power Purchase Agreement (PPA) with the Connecticut Light and Power Company pursuant to Section 127 and if completed, the project would be the only utility-scale wind energy facility in Connecticut. He noted that the developers, on the basis of anticipated support by CEFIA in the form of a subordinated loan and working capital had attracted good interest from local banks to finance the project and that a commitment from a lender is expected soon. He explained that staff also interviewed the proposed EPC contractor, and found their experience in energy systems and wind to be reassuring. He noted the EPC contractor would also provide investment for tax equity to enable the project to monetize federal tax benefits associated wind energy production. Finally, he indicated that the project if to use two wind turbines manufactured by General Electric which is headquartered in Connecticut. Mr. Hunter described the objective function and explained the proposed terms and conditions of the loan. In response to questions, Mr. Hunter explained the typical production exceedance levels to help determine the debt service coverage rate and revenues anticipated. In this case, as he explained, the banking convention is to consider revenues on the basis of annual energy production under a "P90" or "P95" assumption. Mr. Brydges explained P90 and P95 as meaning that the risk that an annual energy production of P90 is not reached is 10% (or of P95 is not reached is 5%). Mr. Hunter went on to note that without CEFIA's involvement, the project does not have sufficient coverage ratios to pass the threshold for typical lenders and that the rate of return for the project developers would be below the range common for such investments. While expressing support for this project, a concern was expressed with providing funding for projects that have the potential for high equity returns (i.e. double digits) to developers. In response to a question, Attorney Farnen noted that CEFIA will only provide funding upon resolution of any litigation. The Deployment Committee members asked staff to include in the term sheet a date by which the funding can be

repurposed if the litigation is not resolved. Mr. Hunter concluded by indicating that the staff is continuing its due diligence process in respect of the project.

Upon a motion made by Mr. Ranelli, seconded by Ms. Ferguson, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding the Colebrook Wind Project:

WHEREAS, Wind Colebrook South LLC (WCS), a limited liability company wholly-owned by BNE Energy, Inc. (BNE) has a long history with CEFIA and its predecessor, the Connecticut Clean Energy Fund;

WHEREAS, in 2010 the CCEF awarded BNE a predevelopment loan totaling \$500,000 to support the developers in overcoming early-stage technical and regulatory hurdles;

WHEREAS, BNE has entered into a 20-year Power Purchase Agreement (PPA) with the Connecticut Light and Power Company pursuant to Section 127 of Public Act 11-80, making the project financeable due to the security of its contracted long-term cash flows; and

WHEREAS, BNE has advanced the project such that it is technically ready to proceed, nearly free of remaining legal obstacles and soon to be in a position to close on financing so as to begin construction.

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends to the Board of Directors (Board) that the Wind Colebrook South Project be approved as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project.

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors (Board) that the Wind Colebrook South Project be approved as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Wind Colebrook South Project.

RESOLVED, that the Deployment Committee hereby recommends approval to the CEFIA Board for CEFIA to execute definitive documentation materially based on the term sheet set forth in this due diligence package for financial support in the form of a \$2,000,000 permanent mezzanine debt investment and up to \$800,000 in working capital financing.

RESOLVED, that the Deployment Committee's recommendation for approval is conditioned upon the completion of CEFIA staff's due diligence review, including CEFIA's review and reasonable satisfaction with all project documentation that CEFIA is not a party to and any yet to be determined capital providers.

6. Other Issues:

- a. Recap of the Green Bank Academy**
- b. Board of Directors**
- c. Other Issues**

Mr. Garcia will e-mail an update on the above-mentioned other issues to the Deployment Committee members.

7. **Adjournment**: Upon a motion made by Mr. Ranelli, seconded by, Ms. Wrice, the Deployment Committee members voted unanimously in favor of adjourning the meeting at 4:28 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee