

DEPLOYMENT COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Minutes – Regular Meeting
Thursday, May 15, 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 May 15, 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 2:03 p.m. Deployment Committee members participating: Bettina Ferguson representing Denise Nappier, State Treasurer (by phone); Reed Hundt (by phone); and Patricia Wrice (by phone).

Staff Attending: Jessica Bailey (by phone), George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia (by phone), Dale Hedman, Bert Hunter, David Goldberg, Rick Ross, Ali Lieberman, Ben Healy, Will McCalpin, Madeline Priest, Joe Buonannata, Cheryl Samuels and Fiona Stewart.

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 Regular March 7, 2014 meeting.

Ms. Ferguson indicated that on **page 9, regarding Colebrook wind 17 lines up from bottom, the sentence starting “finally he indicated” the “if” should be “is”.**

Upon a motion made by Ms. Ferguson, seconded by Ms. Wrice, the Deployment Committee members voted in favor of adopting the minutes from the March 7, 2014 Regular meeting as corrected.

The Deployment Committee members were asked to consider the minutes from the March 14, 2014 Special meeting.

Upon a motion made by Ms. Ferguson, seconded by Ms. Wrice, the Deployment Committee members voted in favor of adopting the minutes from the March 7, 2014 special meeting as presented.

4. Commercial and Industrial Sector Program Recommendations

a. C-PACE Transactions

Mr. Hunter announced that previously, the BOD approved a sell-down of C-PACE transactions. Mr. Bellas informed the group that at 11 AM that morning, \$6,500,000 was received into CEFIA accounts as a result of the closing on the sell-down with Clean Fund. Mr. Goldberg stated that he will be working with Clean Fund and other partners to issue a press release on Monday morning, May 19. Mr. Hunter thanked Jessica Bailey and the CEFIA staff for continuing to generate the transactions. Ms. Bailey mentioned that they are excited to continue to use this model moving forward.

- i. Ms. Bailey spoke to the solar PV Installation at 1200 High Ridge Road, Stamford, CT. It will be the first C-PACE project in Stamford. Ms. Ferguson noted that the second footnote was cut off and asked for clarification. Mr. Healy clarified that the second footnote was explaining Loan to Value.

Upon a motion made by Ms. Ferguson, seconded by Ms. Wrice, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding C-PACE transaction at 1200 High Ridge Rd, Stamford, CT:

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), CEFIA is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, the CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program; and

WHEREAS, CEFIA seeks to provide a \$292,986 construction and (potentially) term loan under the C-PACE program to the 1200 High Ridge Company, LLC, the property owner of 1200 High Ridge Road, Stamford, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated May 8, 2013, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from May 15, 2014;

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE

transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

RESOLVED, 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.

- ii. Regarding Dee Zee Ice in Stonington, CT, Ms. Bailey mentioned that while this project has a loan value of 90% (above CEFIA guidelines of 80%), the cash flow for the business is quite good. She also stated that the lien-to-value value was 30%, within CEFIA guidelines. Mr. Healy explained the loan-to-value is within CEFIA's 80% threshold when considering the other real properties that are part of the mortgage holder's collateral package.

Upon a motion made by Ms. Ferguson, seconded by Ms. Wrice, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding C-PACE transaction at Dee Zee Ice, Stonington, CT:

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), CEFIA is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, the CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program;

WHEREAS, CEFIA seeks to provide a \$306,641 construction and (potentially) term loan under the C-PACE program to Dee Zee Ice, LLC, the property owner of 93 Industrial Drive, Southington, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Deployment Committee dated May 8, 2014, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 90 days from May 15, 2014;

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE

transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

RESOLVED, 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.

- iii. Ms. Bailey stated that the Cargill Falls Mill project has been in the works since the inception of C-PACE. Mr. Healy explained how it is a redevelopment of an old, continuously used mill site in the town of Putnam. Over \$20,000,000 for redevelopment of the mill buildings into both residential and commercial space is planned. Mr. Healy went on to mention that this project will bring together clean energy, commercial, and multi-family goals into one project, including a portion of the residential development that will be classified as affordable housing (the developers are seeking a CHAMP grant as part of their overall funding plan). Mr. Healy explained that the project developers had met with several members of staff over many months, including Ms. Bailey, Mr. Hunter, Ms. Stevenson and Mr. Ross in order to explore modifications to the developers' plans. He noted that this process has been beneficial, and that a number of suggestions by staff have been accommodated in the proposal being presented to the Deployment Committee, including new hydroelectric generation equipment that would come with manufacturers' warranties, a comprehensive insurance package and other provisions. Mr. Healy further explained that the reason for coming to the Deployment Committee for approval, subject to the conditions set forth in the memorandum circulated to the members of the committee, was to demonstrate to the other potential funders of the project, including private capital, that CEFIA is supportive the development of the project by the underwriting, in principle and subject to various conditions, of the hydroelectric portion of the project. Mr. Healy made clear to the committee that while staff stress-tested the project economics to demonstrate that the C-PACE financing could be repaid without the successful development of the residential and commercial portions of the project, nonetheless CEFIA's funding would not be advanced unless the other portions of the capital stack had expressed a commitment to the project. Mr. Healy also recognized CEFIA staff who worked on this and other C-PACE projects and how this experience has been an opportunity for growth for these staff members.

Upon a motion made by Ms. Ferguson, seconded by Ms. Wrice, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding C-PACE transaction at Cargill Falls Mill:

WHEREAS, Pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), CEFIA is directed to, amongst other things, establish a commercial sustainable energy

program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, the CEFIA Board of Directors has approved a \$40,000,000 C-PACE construction and term loan program; and

WHEREAS, CEFIA seeks to provide a not-to-exceed \$2,250,000 construction and (potentially) term loan under the C-PACE program to Historic Cargill Falls Mill, LLC, the property owner of 58 Pomfret Street, Putnam, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and CEFIA's Strategic Plan;

NOW, therefore be it:

RESOLVED, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver the Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated May 8, 2014, and as he or she shall deem to be in the interests of CEFIA and the ratepayers no later than 360 days from May 15, 2014;

RESOLVED, that before executing the Loan, the President of CEFIA and any other duly authorized officer of CEFIA shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

RESOLVED, 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. Statutory and Infrastructure Sector Program Recommendations:

a. Southington Anaerobic Digester Project

Mr. Ross highlighted the Turning Earth Anaerobic Digester pilot program in Southington. He noted that the site is close to I-84 which allows for easy on and off for waste hauling. Turning Earth will be able to handle 75,000 tons per year of organic waste. Mr. Ross noted that the proposal before the Deployment Committee is for CEFIA to invest approximately \$4,000,000 as subordinated debt and leverage that investment 5 and a half times with private capital. Mr. Ross explained the technology of this site and how it differs from other technologies. Turning Earth will use Aiken technology and a three step process which results in methane gas to fuel two reciprocating engines, driving generators to produce electricity. The Aiken process then processes the digestate into compost which is used for fertilizer or for "engineered soils" for agricultural purposes. Ms. Ferguson asked if this project is indicative of what they want to build in Southington

and similar to other sites. Mr. Ross explained how the whole process takes place in one bin and does not need to be moved. Ms. Ferguson asked how many bins will be at the new site to which Mr. Ross replied that Turning Earth will have 20 bins.

There was discussion between Ms. Ferguson and Mr. Ross about capacity at this site and wait time for processing. Ms. Ferguson indicated that you do not want too little waste or too much. Mr. Ross agreed to ask Turning Earth about their capacity for taking waste and their plan to communicate to Covanta about capacity and deliveries of waste. Mr. Ross explained that nothing will be sitting out in the open waiting to be processed. Mr. Hedman indicated that there was no “put or pay” contract, but would confirm this and report back to Ms. Ferguson.

Mr. Hundt then asked about the price of the electricity for the project. Mr. Ross stated that the plan is to sell the energy at wholesale back to the utility which, when combined with REC sales, are expected to result in a combined 10 cent per kWh rate. A Power Purchase Agreement is also being considered with the town of Southington as well as possible plans for a microgrid as a BJs superstore is adjacent to the proposed facility.

Mr. Ross went on to explain that the Covanta is currently paying approximately \$62 for tipping fees for hauled waste, and the plan of the developer is to earn a tipping fee from Covanta of approximately \$42, representing a \$20 discount due to the long-term relationship between to the two parties.

Upon a motion made by Ms. Ferguson, seconded by Ms. Wrice, the Deployment Committee members voted unanimously in favor of bringing the request of \$4,000,000 regarding the Southington Anaerobic Digester Project to the full board:

WHEREAS, Turning Earth Central Connecticut, LLC (“TECC”) – Integrated Organic Recycling Facility, a limited liability company wholly-owned by Turning Earth, LLC, has submitted a proposal for an Anaerobic Digestion facility to be located in Southington, CT;

WHEREAS, in early 2013, 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, 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 heat;

WHEREAS, Turning Earth, LLC submitted the TECC - Integrated Organic Recycling Facility proposal in response to develop, in the Town of Southington, a 1.6 MW AD and cogeneration project and, after a thorough review, was selected as a project that is consistent with the CEFIA Comprehensive Plan and in the best interests of ratepayer and offered a subordinated loan in the amount of \$4,012,984 at a 2 percent interest rate for 10 years, to attract private capital and representing 18 percent of the

overall project's capital expense as well as a preferential interest rate valued by staff at an amount that does not exceed the \$450 per kilowatt limit under Section 103 of PA 11-80;

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors the approval of the TECC - Integrated Organic Recycling Facility Project; and

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 for a \$4,012,984 subordinated loan with terms and conditions consistent with the memorandum submitted to the Deployment Committee dated May 8, 2014.

6. Other Issues:

- a. Approval Limits – Funding Requests Under \$300,000 and No More in Aggregate of \$500,000

Mr. Hunter reported to the committee that Calvary Temple Christian Center in Bridgeport has been approved for an approximate \$50,000 loan for energy efficiency, Eli Properties in West Haven has been approved for an approximate \$269,000 loan for renewable energy, and AirTemp Mechanical in Southington has been approved for an approximate \$139,000 loan for renewables. He noted that the complete underwriting packages had been circulated to the members of the committee prior to the meeting. The committee members did not have any questions concerning the staff-approved transactions.

- b. Approval Limits Adjustment Recommendation – Funding Requests Under \$300,000 and No More in Aggregate of \$1,500,000

Attorney Farnen highlighted that the CT Clean Energy Fund permitted approval by staff for projects under \$300,000. CEFIA continued this practice but couldn't exceed \$500,000 between Deployment Committee meetings. With C-PACE, CEFIA can reach this limit quickly. As the program gets more settled, and committee meetings have become quarterly instead of monthly, CEFIA has increased standardization with documentation and underwriting, therefore becoming more programmatic with the approval. CEFIA staff would like the aggregate raised from \$500,000 to \$1,500,000.

Mr. Hundt stated that there should be a condition that spending will still be reported out to the committee. Attorney Farnen agreed and stated that these will all be programmatic projects. In response to a question from Ms. Ferguson, Mr. Hunter mentioned that \$1,500,000 was picked based on current project pipeline and in the

context of the size of CEFIA's balance sheet. Attorney Farnen stated how the amount was large enough that this topic should not need to be addressed again by the committee for some time.

Mr. Hundt stated that consideration should be given to the amount of capital that was going to be spent without a Board vote. Given the amount of capital CEFIA has, this \$1,500,000 is a small percentage of that. He then stated that this will allow CEFIA staff to process deals of this magnitude faster and that he felt it was the correct way to go.

Ms. Wrice said that if the committee does not like the direction the staff is proceeding in, then the committee can always put restrictions back later.

Upon a motion made by Ms. Wrice, seconded by Ms. Ferguson, the Deployment Committee members voted unanimously in favor of approving for recommendation to the Board of Directors Limits Adjustment Funding Requests Under \$300,000 and No More in Aggregate of \$1,500,000:

WHEREAS, pursuant to Section 5.3.3 of the CEFIA Bylaws, the CEFIA Deployment Committee has been granted the authority to evaluate and approve funding requests between \$300,000 and \$2,500,000;

WHEREAS, on January 18, 2013, the Board of Directors authorized CEFIA staff to evaluate and approve funding requests less than \$300,000 which are pursuant to an established formal approval process requiring the signature of a CEFIA officer, consistent with the CEFIA Comprehensive Plan, approved within CEFIA's fiscal budget and in an aggregate amount not to exceed \$500,000 from the date of the last Deployment Committee meeting ("Staff Approval Policy for Projects Under \$300,000").

NOW, therefore be it:

RESOLVED, that the CEFIA Deployment Committee hereby recommends that the Board of Directors adopt a resolution amending the Staff Approval Policy for Projects Under \$300,000 to increase the aggregate amount limit from \$500,000 to \$1,500,000 from the date of the last Deployment Committee meeting.

c. Mr. Garcia update by phone

Mr. Garcia stated that RSIP is at a post 30 MW stage. Currently 80% of the target at 24 MW, eight years ahead of schedule. CEFIA staff is working with Reed Hundt, Jeff Schub on analytics and doing a deep dive. CEFIA staff are meeting with the RSIP team on Friday, May 16, 2014 to look at how to move beyond post-30 MW. The goal is create **more transparency in the market for consumers to unleash the full market potential.**

Mr. Hundt asked to have a future deployment committee meeting where Mr. Garcia can dedicate time to present his analysis of the DG solar market. The whole committee would be interested in seeing this.

7. **Adjournment**: Upon a motion made by Mr. Hundt, seconded by, Ms. Wrice, the Deployment Committee members voted unanimously in favor of adjourning the meeting at 3:05 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee