DEPLOYMENT COMMITTEE OF THE
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Minutes – Regular Meeting
Wednesday, December 11, 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 December 11, 2013, 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 2:10 p.m. Deployment Committee members participating: Reed Hundt (by phone); Matthew Ranelli (by phone); and Patricia Wrice (by phone).

Deployment Committee members absent: Bettina Ferguson representing Denise Nappier, State Treasurer and Catherine Smith, Chairperson of the Board.

Budget and Operations Committee members present: Daniel Esty, Vice Chairperson of the CEFIA Board; and Mun Choi.

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

Others Present: Denise Farrell, Environmental Capital LLC.

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 October 29, 2013 meeting.

> **Upon a motion made by Mr. Ranelli, seconded by Mr. Hundt, the Deployment Committee members voted unanimously in favor of adopting the minutes from the October 29, 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 20th.

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.

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 led 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 is 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 restructured REC marketplace 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 20th 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. Ranelli, seconded by Ms. Wrice, the Deployment 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 5.3.3 of the Clean Energy Finance and Investment Authority ("CEFIA") Bylaws requires the Deployment Committee (the "Committee") to provide oversight of policies and practices relating to the evaluation and recommendation of initial investments, follow-on investments, investment modifications and restructurings, and the sale or other disposition of investments by CEFIA's professional investment staff, including implementation of investment exit strategies;

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 incorporation the recommendations of independent third party consultants with REC market expertise.

5. <u>Residential Solar Investment Program: Step 4:</u>

Mr. Garcia and Mr. Hedman provided an overview of the Residential Solar Investment Program ("RSIP") and discussed the proposed incentives for Step 4. Mr. Garcia summarized that staff recommends the achievement of 10 megawatts as follows—5.0 MW of Rebates, 3.0 MW of Performance-Based Incentives ("PBI"), and 2.0 MW of additional capacity for the models to compete for incentives. The recommendation is that the PBI would go from $225 per megawatt hours to $180 per megawatt hours which is approximately 20 percent below the Step 3 incentive. In response to a question, Mr. Hedman explained the rationale for reducing the size of the step. He indicated that the reduction was calculated in a manner that would not significantly disrupt the market. Mr. Hedman stated that CEFIA wants to ensure the transition to lower costs is orderly and does not disrupt the success of the adoption of rooftop solar. Mr. Garcia indicated that CEFIA is trying to continue to drive installed costs down through initiatives like Solarize Connecticut and SunShot. The Deployment Committee members questioned the reaction from the contractors/installers with the larger decrease. Mr. Hedman indicated that the percentage change is not as great as it had been in the past. He reviewed the program performance noting that CEFIA is trying to move from $4.44 per watt down to $4.00 per watt. Mr. Ranelli stated that he would not recommend a fixed price reduction because markets change over time. He noted, however, that the percentage reduction should be similar to the past because the goal has always been to drive the incentive down. A recommendation was made to have a formulaic approach that is knowable and to have more information about jobs, data, etc. The Committee members noted that if demand continues to be strong, staff may need to look at whether CEFIA is over-subsidizing. A recommendation was made to have a thorough review of the program and the incentives by April. The Committee members stated that as the program expands it would be helpful to have a model to draw conclusions and a date in which the subsidy is predicted to be so low that it will be paid for by the RECs that are sold.

Upon a motion made by Mr. Ranelli, seconded by Mr. Hundt, the Deployment Committee members voted unanimously in favor of adopting the following resolution regarding Step 4 for the Residential Solar 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 ("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, as of November 29, 2013, the Program Plan has thus far resulted in approximately fifteen (15) megawatts of new residential PV installation application approvals in Connecticut; 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”) or expected performance-based buydowns (“Rebate”), for the purchase or lease of qualifying residential solar photovoltaic systems; and

WHEREAS, performance of the Rebate model in Step 3 is faster in deploying rooftop solar PV and requires less ratepayer subsidies than the PBI model therefore maximizing the amount of clean energy deployed per dollar of ratepayer funds at risk; and

WHEREAS, on December 21, 2012, the CEFIA Board of Directors (“Board”) reviewed and approved the staff recommendations to establish a Step 4 “Race to the Solar Rooftop” capacity of 10 MW; and

WHEREAS, the Deployment Committee has reviewed and directed CEFIA staff to bring a Step 4 Schedule of Incentives to the Board; and

WHEREAS, Solarize Connecticut is a program designed to encourage the adoption of residential solar PV by lowering customer acquisition costs through a coordinated education, marketing and outreach effort, combined with a tiered pricing structure that provides increased savings to homeowners as more people in a selected municipality go solar (“Solarize Communities”).

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends that the Board hereby approves the Schedule of Incentives for Step 4 outlined above to achieve 10.0 MW of solar PV deployment as follows:

5.0 MW of Rebates,
3.0 MW of PBI, and
2.0 MW of additional capacity for the models to compete for incentives.

RESOLVED, that the Deployment Committee recommends that the Board directs staff that at the point where 5.0 MWs of committed capacity is reached during Step 4 of the Schedule, or earlier if staff deems it appropriate to release a report that makes a recommendation to the Deployment Committee on the Step 5 and beyond for capacity allocation and incentive levels.

RESOLVED, that the Deployment Committee recommends that by (a) the point of the Step 4 incentive where 7.5 MW of committed capacity is reached for either the PBI or the Rebate models or (b) January 1, 2015, whichever comes first, the Board will approve a Step 5 capacity allocation and incentive level to ensure the sustained and orderly deployment of the residential solar market in Connecticut.

RESOLVED, that the Deployment Committee recommends that the Board approves Step 4 incentives be maintained for Solarize Communities down selected for Phase 4 of the Solarize Connecticut program throughout the entirety of the campaign if Step 4 incentives are in place at the beginning of Phase 4.

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

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6. <u>CEFIA Multifamily and Affordable Housing Initiatives</u>:

Mr. Garcia mentioned that Ms. Stevenson led the close out of the Technology Innovation program and is now working on the Multifamily Affordable Housing initiatives. Ms. Steven spoke about the opportunities and challenges with multifamily and affordable housing. She indicated that there are approximately 250,000 multifamily units in buildings with 5 or more units. Ms. Stevenson mentioned that “affordable” housing ranges from single to thousands of units, and there is a potential for $125,000,000 of annual energy cost savings from this market. She stated that 50 percent of the units are concentrated in cities. A large percentage of units are electric or oil heated, and many are close to natural gas lines. Ms. Stevenson stated that the opportunities are large, but the challenges may also be significant. She indicated that 22 percent of families in Connecticut owe more in utility bills than they can afford, and reducing that number will strengthen the quality of life for Connecticut families.

Ms. Stevenson reviewed some of the challenges to opening up the multifamily affordable housing market in Connecticut. Some of the challenges include the lack of capital to plan and finance and the lack of performance data to help understand how the units are performing. Ms. Stevenson discussed some of the approaches taken by CEFIA to date. She stated that staff has been speaking with stakeholders to understand the centers of excellence. Ms. Stevenson indicated that CEFIA is trying to determine how to assist and who it can partner with to open the market in Connecticut. She discussed four main initiatives which include: 1) building a multifamily affordable housing market through C-PACE; 2) partnering with Community Development Financial Institutions; 3) partnering with CHFA; and 4) partnering with WINN-HUDE OME. A suggestion was made to recommend that the Board creates an Advisory Committee. The Deployment Committee members and staff discussed potential members for an Advisory Committee that could help design the products. The preliminary list of members could include representatives from housing authorities, the community, nonprofit developers, for-profit developers, etc.

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 4:00 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee