DEPLOYMENT COMMITTEE OF THE CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

Minutes –Special Meeting
Monday, July 23, 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 July 23, 2012, 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 3:00 p.m. Deployment Committee members participating: Reed Hundt (by phone); Donald Kirshbaum representing Denise Nappier, State Treasurer; Matthew Ranelli; and Patricia Wrice (by phone).

Staff Attending: Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Cheryl Samuels and Shelly Mondo.

There being no objection, the order of the agenda was changed.

2. **Public Comments:**

There were no public comments.

3. **Review and Approval of Campus Efficiency Now Proposal:**

Staff was asked to clarify the action being requested by the Deployment Committee regarding the Campus Efficiency Now proposal. Staff explained that the Deployment Committee is being asked to recommend to the Board: 1) the selection of GreenerU and a to be established wholly-owned Connecticut subsidiary of GreenerU as the program partner for the pilot program, 2) a strategic selection and award with the Connecticut Conference of Independent Colleges and Greener U, and 3) authorizing staff to negotiate the final terms of the program in accordance with the conditions set forth in the term sheet.

A discussion ensued on the creation of a subsidiary. Attorney Farnen explained that CEFIA would be entering into an agreement with a subsidiary of GreenerU to segregate this program and CEFIA's funding from other potential liabilities of GreenerU. CEFIA's risk would be comparable to any other lender, such as a bank providing a loan to a third party. CEFIA is not endorsing the workmanship or endorsing GreenerU.

In response to a question, it was noted that if the Board approves the recommendation of the Deployment Committee, the Board would approve the facility and delegate authority to staff to execute the documentation to effectuate the program within the parameters set forth in the term sheet. Individual loans will not have to be approved by the Board. However, any changes to the program would require further Board consideration.

Mr. Garcia provided an overview of the Campus Efficiency Now pilot financing program with the Connecticut Conference of Independent Colleges ("CCIC") and GreenerU, Inc. ("GreenerU"). He stated that the program is consistent with public policy direction of Public Act 11-80, supportive of the Integrated Resource Plan and an integral component of CEFIA's Comprehensive Plan. He spoke about the background, experience and client list of GreenerU. Mr. Garcia spoke about some of the benefits of the pilot program and noted the potential to attract other sectors to do energy efficiencies through this structure by proving the success with this model. It was noted that the success of the model can also attract greater capital investments and allow CEFIA to use other tools (i.e. larger tax-exempt bond financing and the use of the Special Capital Reserve Fund with the Connecticut Health and Educational Facilities Authority).

Mr. Hunter described the structure of the program. He stated that GreenerU and CEFIA would structure five-year contracts with the colleges based on verification of the energy savings. GreenerU would present the completed Energy Savings Agreement along with the project proposal information to CEFIA to confirm the eligibility of the project. The approved project loans by CEFIA to the subsidiary of GreenerU ("OpCo") will enable OpCo to finance the cost of the energy efficiency measures. During the 5-year term of the Energy Savings Agreement, the colleges will pay 80 percent of the value of the savings to OpCo, which will repay the loan made by CEFIA. CEFIA will receive an investment return of at least 7 percent and will be entitled to 80 percent of excess cash flow. CCIC member schools that expressed an interest in the pilot program were selected by CCIC to participate in developing the financing program with CEFIA. Mr. Garcia stated that if the program was done on a larger non-pilot basis, that there would have been a competitive process for identifying the college and university participants.

Attorney Farnen talked about some of the liabilities and risks. He noted that the program was originally structured as a fund-type arrangement, but was subsequently structured closer to a traditional loan arrangement. This structure would be less complex and less expensive compared to the originally proposed fund structure. CEFIA is not making a recommendation to the universities about any product or energy efficiency measure used or implemented by GreenerU or OpCo, and the contract will include indemnity language and disclaimer language for CEFIA. The Deployment Committee members indicated that because the program is so new the risks need to be identified and recognized. Some of the risks discussed include: 1) not knowing the payback period on the energy savings, 2) GreenerU being able to successfully execute the program, and 3) security interest issues. Mr. Hunter indicated that CEFIA tried to limit the risk by limiting availability of the loan facility to an initial $500,000 followed by an additional $500,000 if certain conditions are met and by staging the advances for approved projects rather than advancing funds all at once. He noted that staff did its due diligence with respect to GreenerU, and GreenerU is performing well with other projects. Also, he noted that the management of GreenerU has an extensive track record in energy efficiency as well as clean energy policy matters. Hunter also noted that GreenerU has been successful in attracting institutional investors, such as National

Grid and Casella Waste Systems as part of their shareholder group. Staff was urged to make the risk factors public and to indicate that the program is a pilot program. It was noted that despite best efforts, the program may not be successful, and one of CEFIA's missions is to take more risks. Mr. Ranelli indicated that even though he did not work on this proposal, the firm with which he is employed did some work on this proposal, and therefore he will abstain from the vote.

Questions arose as to whether CEFIA has protection or control in the event of a bankruptcy. Attorney Farnen noted that this level of detail has not yet been negotiated, but he will keep this in mind when finalizing the documentation.

> **Upon a motion made by Mr. Kirshbaum, seconded by Ms. Wrice, the Deployment Committee members voted in favor of adopting the following resolution regarding the Campus Efficiency Now Program (Mr. Ranelli abstained from the vote):**

WHEREAS, the Clean Energy Finance and Investment Authority ("CEFIA") and the Connecticut Conference of Independent Colleges ("CCIC") both recognize the benefits of cooperation in accelerating energy efficiency and renewable energy implementation in Connecticut, resulting in cleaner, cheaper and more reliable sources of energy and have engaged in a memorandum of understanding to support such cooperation.

WHEREAS, it is CEFIA's intention to assist CCIC in helping its members to meet goals for clean energy by providing educational opportunities about the clean energy marketplace and tailored financial products for its members to support building upgrades through the work of qualified contractors and service providers to be selected and engaged directly by the CCIC member institutions.

WHEREAS, CEFIA and GreenerU, Inc. ("GreenerU") both recognize the benefits of cooperation in accelerating energy efficiency and renewable energy implementation in Connecticut, resulting in cleaner, cheaper and more reliable sources of energy.

WHEREAS, CEFIA and GreenerU desire to execute a term sheet that will lead to definitive legal documentation for a loan finance arrangement in an amount not to exceed one million dollars ($1,000,000) establishing the pilot Campus Efficiency Now program;

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors the selection of GreenerU and a to be established wholly-owned Connecticut subsidiary of GreenerU ("OpCo") as program partners for the Campus Efficiency Now pilot program as a Strategic Selection and Award pursuant to the CEFIA Operating Procedures Section XII given the uniqueness, special capabilities and strategic importance of its partners (i.e. CCIC and GreenerU) as well as its timeliness and potential for a multi-phase follow-on investment in clean energy for Connecticut's colleges and universities.

RESOLVED, that the Deployment Committee hereby recommends to the CEFIA Board of Directors that the Board of Directors grants approval for CEFIA to enter into a Term Sheet (per Attachment 1) and definitive documentation with GreenerU whereby CEFIA would make loans to OpCo in an aggregate amount not to exceed $1,000,000 (under a loan facility to be available for loan advances for a period of up to 18 months from transaction closing) for the purpose of enabling OpCo to implement clean energy projects for CCIC member colleges and universities with such loans to be repaid with interest over a 5-year term at an annual effective yield of 7.00% utilizing cash flows derived from payments by the CCIC participating college and universities under Energy Savings Agreements ("ESAs") with OpCo of equivalent duration and a target internal rate of return for CEFIA of 7.00% with such loans being limited in recourse to the cash flows derived from the ESAs as described in the attached Term Sheet; and

RESOLVED, that the Deployment Committee action is consistent with CEFIA's purposes as codified in Section 16-245n(d)(1) of the Connecticut General Statutes (C.G.S.), its board approved Resolution of Purposes and CEFIA's Comprehensive Plan.

Mr. Kirshbaum thanked staff for their work on developing the program and taking into consideration the comments offered by the Deployment Committee members.

Mr. Hundt left the meeting and Mr. Kirshbaum chaired the remainder of the meeting.

4. Approval of Meeting Minutes:

Mr. Kirshbaum asked the Deployment Committee members to consider the minutes from the May 11, 2012 meeting.

Upon a motion made by Ms. Wrice, seconded by Mr. Ranelli, the Deployment Committee members voted in favor of adopting the minutes from the May 11, 2012 meeting as presented (Mr. Hundt was not present for the vote).

5. Review and Approval of Onsite Distributed Generation RFP Proposals:

Mr. Garcia explained that the Comprehensive Plan includes funds for programs in transition, and staff recommends the final round of incentives for the On-Site Distributed Generation ("OSDG") "Best of Class" Program as CEFIA transitions to the ZREC and LREC Programs. The transition funding for the OSDG projects greater than 100kW to 250kW were approved in May 2012. Mr. Garcia stated that there will be some continued staff oversight for these projects.

Mr. Hedman stated that Request for Proposals issue date for funding for the OSDG Program was September 2011. Funding of $1,500,000 was provided for the OSDG projects less than or equal to 100 kW to complete the transition of the program. Mr. Hedman stated that a total of 22 projects were evaluated, and staff recommends funding for 10 solar PV projects and conditional recommendations for 2 additional projects. He reviewed the total recommended project costs, average costs and total recommended project incentives. Mr. Hedman stated that the recommended projects scored above 53 points out of 100. He discussed the evaluation criteria and weighting noting that the PV project economics were 40 percent of the total, deployment of the technology were 20 percent of the total, probability of completion and feasibility were 20 percent of the total, and public and unique ratepayer benefits were 20 percent of the total.

Mr. Hedman reviewed each of the proposed projects. He explained the difference between Standard Test Condition (“STC”) and the PV USA Test Conditions (“PTC”), noting that the PTC takes into consideration the environmental conditions. Mr. Hedman stated that the projects were shown as STC because it is the more understood value. The Deployment Committee members asked staff to record the projects as PTC in order to show how the projects fall under 100 kWs. Mr. Hedman stated that two of the projects are outright purchases and not Power Purchase Agreements. He asked for guidance from the Deployment Committee with respect to Coventry Public Works Garage and Glastonbury Vehicle Maintenance Garage because both are seeking incentives over 50 percent of the total but scored very well. He noted that the Renewable Energy Certificate (“REC”) prices for both are higher than the other projects being recommended. Mr. Hedman explained that the RECs are generated based on production for each megawatt hour of production. The REC price is now trading for approximately $35 to $50 a megawatt hour but has been as low as $9 per megawatt hour. Mr. Hedman and Mr. Garcia explained that CEFIA owns the RECs and can sell them or retire them. In response to a question, it was noted that the RECs are shown on CEFIA’s balance sheet. The Deployment Committee members asked that Mr. Bellas clarify how the full 15 years of RECs are accounted for on CEFIA’s balance sheet and whether a discount is taken. The Deployment Committee asked staff whether the approval of the Glastonbury and Coventry projects is the best use of the funding. Mr. Hedman reiterated that both projects are public facilities and scored well. He stated that staff recommends their approval. The Deployment Committee members noted some of the economic benefits of moving forward with all of these projects.

Mr. Ranelli mentioned that in order to avoid an appearance of a conflict of interest, he will be recusing himself on two of the proposals and asked that they be considered separately.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Deployment Committee members voted in favor of adopting the following resolution approving funding for projects under the On-Site Renewable Distributed Generation Program or other CEFIA installed capacity programs (Mr. Hundt was not present for the vote).

RESOLVED

(1) that the Deployment Committee, a committee of the Board of Directors of the Clean Energy Finance and Investment Authority ("CEFIA"), has determined that the solar PV projected listed below ("Projects"), are consistent with the CEFIA Comprehensive Plan and in the interests of ratepayers, and that funding be approved for the Projects in an amount not to exceed as listed below and that said Grants are contingent upon sufficient funds being available to CEFIA for the purpose of funding renewable energy projects under CEFIA's On-Site Renewable Distributed Generation Program or other CEFIA installed capacity programs:

Project Name	Address	City/Town	System Size (ptc)	Grant (not to exceed)
South Kent School	40 Bulls Ridge Road	South Kent	91.2	$182,558
Evolution Sails	35 Campground Road	Old Mystic	18.8	$24,132
Unitarian Universalist Society East	153 Vernon Street West	Manchester	11.8	$28,832
Fox Hopyard Golf Course	1 Hopyard Road	East Haddam	22.3	$28,958
Tia May McCall/ Polywogs Child Development Center	417 Norwich Westerly Road, Lot 17	North Stonington	18.8	$22,208
AHM Youth and Family Services, Inc.	25 Pendleton Drive	Hebron	10.2	$28,104
Amity Teen Center	10 Selden Street	Woodbridge	11.0	$23,392
Farmington Woods District	Mallard Drive	Avon	25.4	$66,241
Lake Garda Elementary School	61 Monce Road	Burlington	68.3	$192,765
Coventry Public Works Garage	100 Olsen Farm Road	Coventry	68.6	$181,950

(2) That if sufficient funds are available to fund the Project(s), 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 October 31, 2012 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 interest of CEFIA and the ratepayers. The authorized officer's approval thereof is hereby authorized to be conclusively evidenced by the execution and delivery of said legal instrument; 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.

Mr. Kirshbaum asked the Deployment Committee members to consider the Common Ground—New Haven Ecology Project and Glastonbury Vehicle Maintenance Garage.

Upon a motion made by Ms. Wrice, seconded by Mr. Kirshbaum, the Deployment Committee members voted in favor of adopting the following resolution approving funding for Common Ground—New haven Ecology Project and Glastonbury Vehicle Maintenance Garage (Mr. Ranelli abstained from the vote and Mr. Hundt was not present for the vote).

(1) that the Deployment Committee, a committee of the Board of Directors of the Clean Energy Finance and Investment Authority ("CEFIA"), has determined that the solar PV projected listed below ("Projects"), are consistent with the CEFIA Comprehensive Plan and in the interests of ratepayers, and that funding be approved for the Projects in an amount not to exceed as listed below and that said Grants are contingent upon sufficient funds being available to CEFIA for the purpose of funding renewable energy projects under CEFIA's On-Site Renewable Distributed Generation Program or other CEFIA installed capacity programs:

Project Name	Address	City/Town	System Size (stc)	Grant (not to exceed)
Common Ground—New Haven Ecology Project	358 Springside Avenue	New Haven	67.7	$155,200
Glastonbury Vehicle Maintenance Garage	2155 Main Street	Glastonbury	65.1	$222,897

(2) That if sufficient funds are available to fund the Project(s), 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 October 31, 2012 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 interest of CEFIA and the ratepayers. The authorized officer's approval thereof is hereby authorized to be conclusively evidenced by the execution and delivery of said legal instrument; 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.

Mr. Hedman explained that at the May 2, 2012 meeting, the Deployment Committee approved seven commercial solar PV projects 100 kW to 250 kW. The grant awards for six of the seven projects opted to sell the RECs generated by their systems to CEFIA. The additional grant amount for the purchase of the RECs was not included in the resolutions approving the grants for those projects. The additional grant amount for the purchase of the RECs for these systems is the net present value of RECs generated over fifteen years at $.01 per kWh for a total of $97,158 for all six projects. In response to a question, it was noted that there is sufficient funding for transitional programs and projects within the Comprehensive Plan.

Upon a motion made by Mr. Ranelli, seconded by Ms. Wrice, the Deployment Committee members voted unanimously in favor of adopting the following resolution approving the purchase of Renewable Energy Certificates for six of the commercial PV projects that were approved by the Deployment Committee in May 2012 VOTE: 3-0-0; motion carried:

RESOLVED

(1) that the Deployment Committee, a committee of the Board of Directors of the Clean Energy Finance and Investment Authority ("CEFIA"), has determined that the purchase of Renewable Energy Credits ("RECs") for the solar PV projects listed below ("Projects"), are consistent with the CEFIA Comprehensive Plan and in the interests of ratepayers, and that funding be approved in an amount not to exceed as listed below for the purchase of RECs generated by the Projects. Said Grants are contingent upon sufficient funds being available to CEFIA for the purpose of funding renewable energy projects under CEFIA's On-Site Renewable Distributed Generation Program or other CEFIA installed capacity programs:

Project	Additional Grant for RECs
Galleria Design Center	$18,638

Firestone Building Products	$9,653
Lake Gallard (RWA)	$22,918
RHAM School District No. 8	$13,844
Eagle Leasing Company	$11,515
John C. Mead School	$20,590
Total	$97,158

(2) That if sufficient funds are available to fund the purchase of RECs generated by the Projects, 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 October 31, 2012 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 interest of CEFIA and the ratepayers, in conformance with the wishes of the CEFIA Board and in conformance with Section XI of the operating procedures of CEFIA. The authorized officer's approval thereof is hereby authorized to be conclusively evidenced by the execution and delivery of said legal instrument; 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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6. Update on Solar Thermal Program:

Mr. Garcia provided an update on the Solar Thermal Program. Following the completion of American Recovery and Reinvestment ("ARRA") funding for the Solar Thermal Program, a competitive Request for Proposals process was issued to fund a transitional program. Mr. Garcia stated that costs are declining and there has been a 44 percent reduction from the ARRA-SEP program levels. There has also been a decrease in rebate levels per square foot and a decrease in the installed cost of the systems. Mr. Garcia stated that three more rounds will be completed by the end of the 2013 fiscal year and staff will continue to work to move away from subsidies and work towards a financing model. It was noted that the funding has been provided to approximately 270 residential homes and 50 businesses. Staff was acknowledged for their efforts.

7. **Adjournment**: Upon a motion made by Mr. Kirshbaum, seconded by Ms. Wrice, the Deployment Committee members voted unanimously in favor of adjourning the July 23, 2012 meeting at 4:30 p.m.

Respectfully submitted,

Reed Hundt, Chairperson of the
Deployment Committee