

**Renewable Energy Investments Board
Draft Minutes - Regular Meeting
Monday, July 26, 2010**

A regular meeting of the **Renewable Energy Investments Board, also known as the Connecticut Clean Energy Fund Board** (the "Board"), was held on July 26, 2010, at the Connecticut Department of Environmental Protection, 79 Elm Street, Phoenix Auditorium, 5th Floor, Hartford, CT.

1. Call to Order: Noting the presence of a quorum, Norma Glover, Chairperson of the Board, called the meeting to order at 12:11 p.m. Board members participating: Tracy Babbidge, Department of Environmental Protection; Mun Young Choi; Norma Glover; Alan Greene; Richard Steeves, representing the Office of Consumer Counsel; Kevin Hennessy; Bob Maddox; John Mengacci, representing the Secretary of the Office of Policy and Management; Carol Muradian; John Olsen; and Matthew Ranelli.

Board members absent: Scott DeVico, Emergency Management and Homeland Security; Jessie Stratton; and Patricia Wrice.

Staff and Adjunct Staff Attending: Lise Dondy, Keith Frame, David Goldberg (by phone), Dale Hedman, Shelly Mondo, Cheryl Samuels, Emily Smith, Matthew Stone and Bob Wall.

2. Public Comments:

Alton Orlomoski, a resident of Canterbury, indicated his strong opposition to the volume of water proposed to be drawn from the Quinebaug River for the Plainfield Renewable Energy ("PRE") project. He also questioned whether there would be enough wood supply in the Northeast to run the PRE project for 10 years. Mr. Orlomoski expressed concern that the materials used may not be inspected. He stated that the plant should not be built just to create work for union workers.

Randy Stilwell expressed concerns with a number of issues related to the PRE project. He questioned why CCEF would give more funds to PRE when PRE, under previous management, was not able to pay back the loan or interest to CCEF. Mr. Stilwell indicated that the loan was not paid back until the project was sold to a new developer, and the new developer is no longer involved. He stated that he believes the project is flawed and that the developer will not be able to obtain the construction and demolition (C&D) wood supply. Mr. Stilwell mentioned that C&D material is down 75 percent from 2005 because of the economy. He questioned the commitments for fuel.

Channing Huntington, a retired Northeast Utilities employee, indicated that he was in charge of certain laboratory treatment facilities and was responsible for monitoring the water coming in and out of condensers. He expressed objection with the use of the Quinebaug River for cooling the water for the condensers for the PRE project. Mr. Huntington stated that the water taken from the river will increase the temperature of the

water, and the animals, plants and fish will suffer. He noted that the chlorine used to treat the water is highly and will also impact the river. Mr. Huntington suggested the use of air towers for cooling. He questioned whether the developers or anyone else has investigated the use of air towers or a combination of water and air for cooling.

Paul Sweet, First Selectman from Plainfield, asked the Board to approve the application for PRE. He indicated that the Siting Council has approved the site. Environmental specialists and scientists, including the Department of Environmental Protection ("DEP"), have provided approval for the project. Mr. Sweet stated that he is not aware of any organized opposition to the PRE application other than several individuals who do not approve the project. He mentioned that he has received three letters in three years from people opposed to the project. Mr. Sweet stated that he has had a good working relationship with PRE and has checked their references. He mentioned that the Plainfield Board of Selectmen supports the application and project. He stated that the project would immediately create 150 to 200 jobs and 30 to 50 long-term jobs. Mr. Sweet mentioned that the Town of Plainfield hired an independent environmental firm to perform due diligence, and the firm recommends moving forward with the project. He stated that project leverages funds from the Department of Economic & Community Development, CCEF and the developer. He indicated that the project would provide greatly needed jobs, revenues to the town and renewable energy.

Paul Perry, a resident of Plainfield, expressed support for the project. He stated that the project will help provide jobs for the Town of Plainfield.

Robert Beauregard, a resident of Dayville, stated that he is in support of the project. He referenced the project as an "economic stimulus project" for an area in great need. Mr. Beauregard stated that the project would have a positive impact and provide permanent jobs. He referenced other projects from very large corporations that received federal funding (i.e. Frito Lay owned by Pepsi Co.) for a fuel cell project that created no new jobs. Mr. Beauregard stated that the Siting Council and town have approved the project. He urged the CCEF Board to support the project.

Keith Brothers, President of the Building Trades Council for Eastern Connecticut, indicated that PRE has been a very responsive developer from the beginning. He stated that PRE has engaged the town, the CCEF Board and Siting Council. Mr. Brothers indicated that PRE has agreed to use local people and pay prevailing wages, and the developer has been endorsed by the Building Trades Council. Mr. Brothers stated that the Building Trades Council congratulates PRE for the work done with local people and building trades.

Todd Dexter, a resident of Sterling and a representative of the Bricklayers union, stated that he spends a lot of time at the Quinebaug River and would never support anything that would harm the river. He stated that unemployment for construction workers is terrible, and PRE worked with the unions. Mr. Dexter stated that he does not feel that any harm will be done to the river, especially after receiving approval from the DEP, the Siting Council and town.

Robert Noiseux spoke on behalf of the Friends of the Quinebaug River and urged the Board not to provide funding for the PRE project. He stated that the Friends of the Quinebaug River believe that under the current conditions, CCEF's Code of Ethics prohibits CCEF from providing any funding. Mr. Noiseux stated that Part 2 of the Code of Ethics mandates "Responsible Stewardship of all CCEF assets," and loaning money to PRE cannot be responsible stewardship when the project is doomed to fail.

Mr. Noiseux spoke about and provided a copy of a presentation done by Jerome Peters, Managing Director of Project Finance at TD Bank, NA, entitled: "Financing Renewables." He noted that Mr. Peters raises many key issues that apply directly to PRE and the project's low probability of success. Mr. Noiseux noted that Mr. Peters raises the issue of regulatory risk and asks whether a change in government regulation will impact cash flow. He indicated that the PRE project expects cash flow, including \$55 per megawatt hour for the first 30 megawatts because the project is considered a Class I Renewable Resource. Mr. Noiseux opined that this designation was a mistake. He stated that by law, the project is the only one in Connecticut that could ever qualify for this added subsidy. Mr. Noiseux stated that it is the hope of many that the law will be fixed so that C&D is not considered Class I for any facility. He stated that Friends of Quinebaug River and other groups will continue to work with legislators to close this loophole.

Mr. Noiseux indicated that Mr. Peters' presentation raises the issue of environmental risk and asks whether a project poses a risk to damage the environment for which the lender may be liable. He stated that aside from the known tons per year of heavy metal emissions and various discharges to the already impaired Quinebaug River, PRE wants to locate their plant on an already polluted Superfund site, with a satellite location located next door to multiple other contaminated sites. Mr. Noiseux stated that the main plant site, according to the EPA's 2007 five year review, "remains contaminated" with, among other things, "PCE and vinyl chloride." The review also stated that "the site will not meet the 27-year natural attenuation clean-up levels that EPA expected" and goes on to state that "construction on the site, such as the proposed biomass power plant, could, by altering recharge patterns, affect groundwater flow patterns near the plume and interpretation of water-quality trends." Mr. Noiseux questioned whether a bank would assume such a risk. He noted that to mitigate the risk, PRE has asked the DEP to sign a covenant not to sue.

Mr. Noiseux stated that Mr. Peters' presentation raises the issue of resource risk and questions whether there is a risk to the interruption of any resource required to operate a project. Mr. Noiseux questioned the amount of C&D fuel that is currently available for the PRE project. He questioned whether the quantity is within economical trucking distance and whether there will be sufficient fuel in the future and during cyclical economic downturns. Mr. Noiseux questioned the contracts for the remaining 50 percent of the required fuel amount.

Mr. Noiseux mentioned that Mr. Peters' presentation cites examples of "not ready for prime time technologies including gasification," and PRE proposes to use this technology.

Mr. Noiseux stated that Mr. Peters in his report defined the specific risks associated with biomass plants which include: the lack of fuel price pass through; non-homogenous fuel creates combustion and emission challenges; air permit violations due to contaminants in fuel; and fugitive emissions (odors, run-off, spontaneous combustion). Mr. Noiseux stated that the investor perception of project risk, among all forms of renewable energy, shows biomass being by far the riskiest. He indicated that Mr. Peters rates biomass financing risk as being medium to high risk. Given the special difficulties associated with C&D debris, Mr. Noiseux indicated that PRE would be one of the riskiest of the risky investments. He stated that in these uncertain economic times, the fact that PRE is here at CCEF, of all places, after losing multiple backers, after other failed CCEF loan efforts, after deciding not to use their own capital already under the control of Decker Energy, NuPower LLC or the Donovan-owned Propero Bank Co., would prove that even the project principals doubt PRE's odds. Mr. Noiseux indicated that several years ago, \$1,400,000 was loaned by CCEF to a similar biomass project in Waterbury. The project failed, the ratepayers had to absorb the loss, and CCEF had that much less money to invest elsewhere. Mr. Noiseux stated that the Waterbury experience should not teach CCEF that all biomass is bad. Rather, it should teach CCEF that some energy projects are fatally flawed, and PRE is one of those flawed projects.

Mr. Noiseux stated that when deciding what to do about PRE, he asked the Board to consider whether it is likely that PRE will fail; and if they believe it will fail, he asked the Board to act responsibly. He asked the Board whether they would invest their own money in PRE and stated that if they would not, they should not invest CCEF funds in PRE.

Steve Orlomoski, a resident of Canterbury, questioned how a project utilizing C&D fuel could be considered clean energy. He expressed concerns with the amount of water that would be taken from the Quinebaug River for the PRE project. Mr. Orlomoski stated that he believes CCEF's funding could be used in better ways for clean energy projects.

Paula Forrest, a resident of Hanover, urged the Board not to support the PRE project. She stated that despite all of the approvals received, she does not consider the PRE project a clean energy project. Ms. Forrest asked the Board to consider the pollution from the trucks hauling in the fuel and the contamination to and water being removed from the Quinebaug River. She stated that there are not enough jobs being created to substantiate funding the PRE project.

Ken Wieland, speaking on behalf of the Rivers Alliance, indicated that his major focus is on the water proposed for the PRE project. Mr. Wieland stated that the manner proposed could pose serious problems and that there is newer technology that could be used that would reduce the water demand for the project. He indicated that in

Massachusetts, there is oversight of water being removed from rivers, and permitting has become difficult to obtain. Mr. Wieland questioned the withdrawal of water from a river that is already impaired. He suggested an alternative manner such as air cooling or to reduce the water rate. Mr. Wieland mentioned that the Quinebaug River is listed as a National Heritage River and stated that the river will suffer from the proposed amounts of water withdrawal. He noted that he is aware of the penalty in energy production with the use of air cooling but indicated that the penalty is very small.

Margaret Miner noted that water for cooling is a key factor in distributed generation power plants. She urged the Board to consider the environmental impacts and the entire configuration of the project when making a determination to fund the PRE project. Ms. Miner indicated that the environmental analysis of the impacts of water cooling is very important. She stated that she does not believe that there has been careful analysis of the impacts early enough in the process. Ms. Miner indicated that an alternative to water cooling is not likely to impact the number of jobs created and could actually create more jobs.

John Harrity, a representative from the National Association of Machinists and Aerospace union, provided support for the PRE project. He urged the Board to support the project and noted the number of jobs that would be created as a result. Mr. Harrity stated that the project will be good for the environment, community and state. He noted that the proposal has been extensively reviewed by experts, and the process to move the project forward has been exhausting. Mr. Harrity indicated that re-opening questions that have already been addressed would delay the project further. He explained that it is not unusual for two investors to withdraw their commitments especially during the worst economic times in many years. He stated that the PRE project will provide jobs, power, and renewable energy to the renewable energy portfolio. Mr. Harrity mentioned that the developers have proven themselves to be responsible, and he urged the Board to support the PRE project.

Dan Donovan representing PRE requested that the Board approve the request for a loan to support the PRE project. He indicated that PRE did have an outstanding loan from CCEF in the initial stages of the project, and the loan was repaid under the terms and conditions of the loan. Mr. Donovan explained that PRE entered into an agreement with GDF to purchase the project, and in April GDF decided not to move forward with the purchase because the project did not fit within their strategic mission for their portfolio. Mr. Donovan mentioned that GDF spent a lot of time and money performing due diligence on the PRE project and had a positive review. He stated that the project is a good project for Connecticut and will provide jobs, tax revenue and renewable power with minimal environmental impact. Mr. Donovan stated that the project is one of the most advanced under Project 150 and will reduce fossil fuel consumption.

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

3. Action to be Taken on Loan Request by Plainfield Renewable Energy:

Ms. Glover mentioned that the Board will be considering the PRE application. She explained the two-step process. Ms. Glover stated that first the Board will consider whether the application meets the requirements to be considered as a strategic selection award. She indicated that the Board must determine that the advantages of strategic selection and award clearly outweigh the general public interest in an open and public process, and the Board must find that at least three characteristics identified in the Joint Operating Procedures are present and are of predominant importance to CCEF. There must be an affirmative vote of 2/3 of the members present in order for the application to be considered as a strategic selection award. If the application is treated as a strategic selection award, the Board then has to consider the proposal on the merits. If the resolution to consider the application as a strategic selection and award fails, no further consideration is necessary.

Ms. Glover explained that the Board package includes some materials which have been identified as confidential and exempt under Freedom of Information statutes and therefore must be discussed in executive session. She stated that if anyone wishes to discuss the confidential information, it will be necessary to go into executive session. Everything else will be discussed in open session.

Attorney Boucher indicated that the Board should have all of the pertinent information to make a decision on the PRE application. He highlighted the process that should be taken by the Board. Attorney Boucher reviewed the criteria set forth in the CCEF/Connecticut Innovations Joint Operating Procedures for an application to be considered as a "strategic award" prior to considering the request on its merits. He mentioned that the Board also has a memorandum from staff addressing all of the aspects of the project and their recommendation on whether the project meets the criteria to be considered a strategic award. Attorney Boucher stated that commercial or financial information given in confidence must be kept confidential and discussed only in executive session by the Board. He cautioned the Board members not to discuss or reference any confidential information unless it is done in executive session. Attorney Boucher noted that consideration of both resolutions regarding the PRE project must be done in public session. He reiterated that the resolution authorizing the project as a strategic award must be approved by a 2/3 vote of the members present. The resolution to approve financing for the project must be approved by a simple majority.

Mr. Hedman reviewed the request for a loan in the amount of \$550,000 from PRE to complete project financing and associated project development obligations for PRE's 37.5 megawatt Class 1 renewable biomass power plant located in Plainfield. He reviewed the approvals received by PRE. Mr. Hedman reiterated the five characteristics, of which three must be present for the Board to consider the PRE project for a strategic investment. He reviewed staff's perspective on the situation and summarized that staff believes that the application meets at least three of the five criteria to be considered by the Board as a strategic investment. Mr. Hedman described the anticipated use of funds. He noted that PRE is also pursuing alternative financing

strategies, and PRE has hired an investment bank and is working with investment advisors. Mr. Hedman reviewed the transaction between GDF Suez and PRE. He discussed the fuel supply contracts between GDF Suez and the fuel suppliers. Mr. Hedman discussed the DEP permits and summarized the benefits and risks of the proposed investment.

Ms. Glover asked the Board to consider the strategic award resolution. The Board discussed the proposal. The Board asked questions about the proposal and the information provided. Staff clarified that the approvals and permits were based on the proposal provided, and that any changes would require re-approval and re-permitting. It was also clarified that the lack of fuel supply contracts is for the remaining 50 percent of the required fuel amount. The original fuel contracts were with GDF Suez, and PRE will have to go back to the suppliers to have the contracts signed with PRE. In response to a question, Mr. Hedman described the index mechanism to adjust the purchase price for changes in the wholesale price of electricity. He explained the options that were available under Project 150. Ms. Babbidge clarified that the DEP will not issue a final air permit until the necessary NOx offsets have been secured. Additionally, several federal EPA air quality regulations will have to be incorporated into the PRE permit before the final permit can be issued. Questions arose and some concern was expressed with PRE's ability to obtain permanent financing in this uncertain credit environment and because of the potential change in the EPA regulations on carbon emissions that does not exempt biomass projects. Staff was asked to explain their recommendation about the characteristics of the PRE proposal to consider the project as a special award. Mr. Hedman explained how the project is unique and a multiphase project.

Ms. Glover noted that with 11 Board members present, an affirmative vote from 8 of the members would be needed for the resolution to pass. It was noted that not all of the Board members have to consider the same three criteria for the PRE proposal to be considered a strategic award.

**Upon a motion made by Mr. Olsen, seconded by Mr. Mengacci, the Board voted in favor of adopting the following resolution (VOTE: 9 IN FAVOR; 2 ABSTENTIONS from Ms. Babbidge and Mr. Steeves)—
MOTION PASSED:**

RESOLVED:

That the Connecticut Clean Energy Fund Board of Directors ("CCEF Board") has determined that the request for funding in the amount of FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$550,000) for the Plainfield Renewable Energy Biomass Project in Plainfield (the "Plainfield Project") is a Strategic Selection pursuant to the Strategic Selection and Award provisions of Part IX, subsection C of the Joint Operating Procedures of the Renewable Energy Investment Board and Connecticut Innovations, Inc., as Administrator, based on the determination of the CCEF Board that the advantages of Strategic Selection and Award clearly outweigh the general public

interest in an open public process based on the CCEF Board's finding that at least three (3) of the following characteristics are present and are of predominant importance to the Fund:

a. Special Capabilities—the opportunity is presented by a party with exceptional experience, expertise or availability or holding patent or other proprietary rights of special value to the Fund.

b. Uniqueness—the opportunity is one-of-a-kind by virtue of location, high visibility and leverage with other already committed public or private funding or similar unique attributes.

c. Strategic Importance—the opportunity has exceptionally strong compatibility with the mission of the Fund or offers the Fund an organizational role, participation in governance, a formative or other key role in the industry, high funding leverage potential, broad market reach, exceptional educational or public relations value or similar special strategic advantages important to the Fund.

d. Urgency--There is an urgent need to act on the opportunity as a result of public exigency or emergency, or a strategically important opportunity would become unavailable as a result of delay, or it would take an unacceptable length of time for a similar opportunity to reach the same level of readiness.

e. Multiphase Project; Follow-on Investment—the opportunity relates to the next phase of a multiphase proposal or the expenditure is necessary to support or protect an existing Fund investment or initiative.

Attorney Boucher explained that the next step is for the Board to consider the PRE proposal based on its merits. Concerns were raised with Project 150 due to the lack of penalties for not complying and about PRE's potential inability to pass through increases in fuel costs. Several Board members raised concerns with delaying the project further. There was no need to go into executive session to discuss this proposal.

Upon a motion made by Mr. Olsen, seconded by Mr. Greene, the Board members voted in favor of adopting the following resolution (VOTE: 7 IN FAVOR; 2 OPPOSED from Mr. Maddox and Mr. Ranelli; AND 2 ABSTENTIONS from Ms. Babbidge and Mr. Steeves)—MOTION PASSED:

RESOLVED:

- (1) That the Connecticut Clean Energy Fund ("CCEF") Board of Directors ("CCEF Board") has determined that providing funding in the form of a loan in the amount

of FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$550,000) to the Plainfield Renewable Energy Project ("PRE Project"), a 37.5 megawatt wood fueled, low emissions advanced biomass gasification plant located in Plainfield, Connecticut is in the furtherance of the CCEF's comprehensive plan and in the interests of ratepayers, provided that said funding is contingent upon sufficient funds being available to the CCEF for the purpose of funding renewable energy projects;

- (2) that the terms and conditions of such loan shall be substantially similar to the terms presented to the CCEF Board on July 26, 2010;
- (3) that Lise Dondy, Vice President of Connecticut Innovations ("CI") and President of the CCEF and designated staff are authorized to negotiate for and on behalf of the CCEF not later than September 30, 2010, any contract or any other legal instrument necessary to effect the loan and in conformance with Section VI of the Joint Operating Procedures of the Renewable Energy Investment Board and Connecticut Innovations, Inc., as Administrator of the CCEF;
- (4) that if sufficient funds are available, then Peter Longo, President and Executive Director of CI, Lise Dondy, Vice President of CI and President of the CCEF, or any other duly authorized officer of CI, is authorized to execute and deliver for, and on behalf of the CCEF, not later than December 30, 2010, any contract or other legal instrument necessary to effect the funding on such terms and conditions as he or she shall deem to be in the interests of the CCEF and the ratepayers, in conformance with the wishes of the CCEF Board, and in conformance with Section VI of the Operating Procedures of the CCEF Board;
- (5) that the action of any person authorized to take action for and on behalf of the CCEF pursuant to this resolution shall be deemed conclusive evidence that such person has determined that such action is properly within the discretionary authority granted to such person and authorized by this resolution; and
- (6) that the proper CI officers are authorized and empowered to do all of the acts as they shall deem necessary and desirable to effect this resolution.

4. Approval of FY2011 through FY2012 Comprehensive Plan:

Ms. Dondy mentioned that a summary of the public comments received on the Comprehensive Plan have been provided to the Board. She reviewed the major themes of the comments received. She indicated that staff does not recommend making any changes to the Comprehensive Plan as a result of the comments received. Staff was asked to notify the people who provided comments that comments and responses are posted on the CCEF Website. It was noted that it may come to a point where the funding being spent on solar PV may not make a difference in the future and that CCEF may have to get more creative (i.e. more funding for solar thermal). Staff was complimented for their work on the Comprehensive Plan. A suggestion was made to

add language “no response necessary” rather than leaving blanks in the Board Response section of the Plan.

Upon a motion made by Mr. Olsen, seconded by Mr. Steeves, the Board voted unanimously in favor of approving the FY2011 through FY2012 Comprehensive Plan.

5. Chairman’s Report:

Ms. Glover mentioned that she has been discussing the resignation of Ms. Dondy with Mr. Longo and Ms. McDonald, and a process will be developed on how to proceed with finding a replacement. She stated that the Board will be kept abreast of the process.

6. President’s Report:

Ms. Dondy mentioned that CCEF filed comments on the net metering docket before the DPUC that reflects what the Board has discussed previously in relation to proposed legislation supporting net metering for renewables. She indicated that the competitive Request for Proposals process for the Operational Demonstration Program will be launched within the next several weeks. Ms. Dondy mentioned that the quarterly reports are included in the Board package for informational purposes. She summarized that 31 megawatts have been installed or are in the process of being installed, which represents about 1,750 projects. Regional Greenhouse Gas Initiative funds have been used to fund the installation of solar on 15 public projects, and there are 9 additional projects under review. Ms. Dondy acknowledged Mr. Wall and noted that NREL has recognized CCEF’s voluntary market program as one of the top ten in the country. She noted that CCEF’s Communities Program has started a blog, tweeting and Facebook. Ms. Dondy, Ms. Glover and Ms. Stevenson will be attending the New England Energy Innovation Consortium meeting in Boston. Ms. Dondy indicated that CCEF is supportive of federal legislation to create innovative clusters. She mentioned that Beth Piggush will be moving to Wisconsin. The Board acknowledged the work performed by Ms. Piggush, especially her work with the Connecticut Science Center. Ms. Dondy mentioned that Christin Cifaldi has been promoted to Project Manager, Jillian Carbone has been promoted to Project Associate, and Matt Stone has been promoted to Counsel.

7. Projects Committee Report:

Mr. Greene provided the Projects Committee report. He mentioned that since the last meeting, the Projects Committee approved a 102.9 kW_{STC} PV system for the Cromwell Middle School, a 141.0 kW_{STC} PV system for the Whole Foods Warehouse in Cheshire, a 400 kW fuel cell system at the Weston Middle School in Weston, and a 400 kW fuel cell system for Alexion Pharmaceutical in Cheshire. He mentioned that the Projects Committee also approved an extension of the deadline to execute the Financial Assistance Agreement for a 144.0 kW_{STC} PV system for the Loomis Chaffee School in Windsor and extended the execution date for the Pre-Development Loan Agreement for

Wind Prospect II and Wind Colebrook II. Mr. Greene mentioned that the Projects Committee also discussed roof warranties to ensure that roofs last as long as the PV projects.

8. Other Business:

There was no other business to discuss.

9. Adjournment: Upon a motion made by Ms. Muradian, seconded by Mr. Greene, the Board members voted unanimously in favor of adjourning the July 26, 2010, meeting at 2:25 p.m.

Respectfully submitted,

Norma Glover, Chairman

Matthew Ranelli, Secretary