

**Approved MINUTES
Clean Energy Development Fund (CEDF) Board Meeting
November 23, 2009
12 p.m. – 5:00 p.m.**

In Attendance:

Board Members:	Attending	Absent	Note
Robert Dostis (RD); Green Mountain Power	X		
Sam Swanson(SS); Pace Law School	X		
David Blittersdorf (BD); Earth Turbines	X		
Jo Bradley (JB); VEDA	X		
Tom Evslin (TE); Office of Economic Stimulus & Recovery	X		
Ellen Kahler (EK); VSJF	X		
Rich Sedano (RS); Regulatory Assistance Project	X		
Mark Sinclair (MS); Clean Energy Group	X		
Jeb Spaulding (JS); VT State Treasurer		X	
Staff			
Andrew Perchlik (AP), CEDF Director	X		
Diane Reynolds, DPS	X		
Karl Johnson, DPS	X		Attended only during discussion on the loan applications

Meeting was chaired by SS who brought the meeting to order at 12:10

Discussions:

- I. Minutes.
 - a. Minutes from the 10/28/09 meeting were reviewed. TE moved to accept the minutes as presented, 2ed by EK. There was no discussion and the motion passed unanimously on a voice vote.
- II. Director's Report
 - a. AP gave an update on the EECBG RFP that was released to municipalities. He also asked the Board if staff could make the decision on the preliminary applications. TE moved to allow CEDF staff to approve the preliminary EECBG municipal grant applications. EK 2ed and motion passed unanimously on a voice vote.
 - b. AP gave an update on the Regional Planning Commission (RPC) EECBG grants. These are legislatively mandated, non-competitive grants of \$80,000 to each of

the twelve RPCs. The CEDF asked each RPC to fill out an application for the funds, to document what the funds would be spent on. AP reported he had received five applications so far from the following RPCs: Central Vermont, Bennington County, Two Rivers-ottauquechee, South Windsor, and Addison County. AP recommended they be approved and he asked if staff could have the ability to approve the remaining seven applications as they come in, given that these are legislatively mandated, non-competitive grants. JB moved to allow staff to approve the RPC applications on the condition that the CEDF Board see and approve of the AARA compliant grant agreement and a AARA compliance checklist that the staff will use in reviewing the applications. 2ed by TE. There was a discussion on whether they could approve of the AARA grant agreement via email. There was agreement that since this was not a vote and not something new, but part of a motion at the meeting that the Board could approve (or not) the AARA grant template and AARA checklist via email. The motion passed unanimously on a voice vote. AP said he would investigate the question of what business can be carried out via email and report back.

- c. AP reported that the list of Board members and the Board's meeting schedule are now on the website. AP asked if the Board would also like their meeting agendas and approved minutes on the web site as well. The Board approved of doing so.
- d. AP asked for Board direction on what changes to grants staff could make as several grantees were asking for small changes. RD moved that staff could approve grant extensions up to 6 months and budget changes of up to 10% of the projects grant amount, thus anything over 6 months or 10% would need board approval. JB seconded the motion and after some discussion on the pros and cons of delegating the motion passed unanimously on a voice vote.
- e. AP reported on a few energy projects that in the past received funding from the Dept. of Public Service through the State Energy Program (SEP). Since the SEP project replaced with the AARA funds this year the DPS didn't have any funds for these projects. Funding for these projects had come up before and the Board had agreed that it could provide a limited amount of funding for them. The projects have been asked to send in applications for funding equal to what they received from the DPS in prior years. AP said he received a request from the School Energy Management Project (SEMP) for \$40K and that he recommended in favor of it. RS spoke in favor of funding these projects. MS wanted the applicants to be told that CEDF funding would very likely not be a source for funds in the future and that they need to find sustainable funding elsewhere. RS moved that the SEMP program be granted \$40,000. RD seconded and the motion passed unanimously on a voice vote.

III. Strategic Planning – facilitated by Stephanie Lahar (SL)

- a. SL lead the Board in a discussion of the legislative changes to the CEDF statute (10 V.S.A. §6523) and what new language will affect the CEDF's strategic plan.
- b. SL lead the Board is a discussion of the strategic planning process and proposed a draft planning timeline over the next six months. A core question that arose was

whether to use the existing strategic plan as a foundation and make changes to that or to create a total new plan.

On this question there were the following responses: MS and RS said to use the existing plan as the baseline to work on and that the plan should not be too specific. RD didn't think the planning process would be six months as the existing plan could be used and the Board's discussions should be focused on key issues. TE didn't agree with using the existing plan or taking months to create a plan. He suggested setting new goals and measurable criteria that will be used to test if goals are being met. JB said that a new discussion is needed regarding what the CEDF goals are, how they were going to achieve those goals and how they were going to measure progress towards those goals. DB agreed that goal setting needed to be done in one month, not six and that there was urgency for action and that there was an energy policy vacuum that the CEDF should fill. SS found the existing plan to be more of a list than a plan and not focused enough. He favored measurable goals. EK said that quick planning is better – if doable.

- c. There was a discussion on how best to proceed with the meeting agenda given the interest in starting the goal discussion more quickly. The co-chairs proposed a change in the agenda that would include one hr. discussing goals but saving time to address the issue of CEDF grants and Standard Offer Projects
 - i. These list of goals/criteria was created by the discussion on goals:
 - Number of MW of generation by renewables by a certain date.
 - Displacement of fossil fuels BTU.
 - Clean energy funding in Vermont leveraged by public funds.
 - Economic development for clean energy sector.
 - Build clean energy markets to bring about the transformation to a stable, self-sustaining market
 - Build a visible and believable clean energy future in the minds of public and policymakers
 - Build a long-term clean energy program that is public, transparent, and self-sustaining.
- d. The Board did a quick envisioning brainstorm as another way to elicit ideas for goals. They answered the question: *“In 2015, if the Clean Energy Fund had had enormous positive impact, what would it have done?”* and came up with the following list:
 - i. Funded projects that have maximized conservation and clean energy generation and transformed markets to position us to meet carbon goals in Vermont.
 - And that match well with VT's renewable resource base.
 - And have a big impact on building the sector.
 - ii. *Variations of this first item which many liked and tagged on to:*
 1. Take out “conservation”, and take out “match with VT resources.”
 2. Sequence “transformed market by maximizing generation.”
 - iii. Targeted clean energy grant and loan applications in which investment, in Vermont, could positively impact the whole market.

- iv. Vermonters take pride in more clean energy generation taking place in VT and they understand that this is linked to CEDF investments.
 - v. Individuals, businesses and communities are looking for and finding clean energy opportunities, and have the means to implement them.
 - vi. CEDF has a track record of stimulating clean energy technologies, programs and business opportunities – we’ve been an effective incubator.
 - vii. CEDF has had a leadership role in making the right collaborations happen to have carbon impacts.
 - viii. CEDF has been a big piece of a 20% reduction in fossil fuel use since 2009.
 - ix. We’ve spent the money well.
- e. During a discussion on concerns and further discussion of vision/goals the following were raised:
- Concern about effectiveness being measured solely or primarily by how much clean energy is generated – this could distort other important goals.
 - Expressed that technological innovation and new applications are also an important goal.
 - There’s ambiguity in relation to numerical goals between what our funds accomplish and what the state is trying to accomplish through other programs and means. The most important metric is what happens in the state.
 - Think the CEDF needs a statement in the plan about finding ways to connect and leverage across programs.
 - Measures need to be tied to their connection to investments. What would a program look like that would maximize reductions to carbon emissions in 2015?
 - Don’t want our primary indicator to be carbon reductions per dollar investment.
- f. Next Steps
- i. The thinking done today can be collected and synthesized for a planning session that aims to further develop goals.
 - ii. The measurability of goals and the types of measures used will likely need further discussion and decision as the CEDF defines and prioritizes goals for the five year plan.

IV. Discussion on eligibility of standard offer projects

- a. Discussed how will CEDF projects support (or not) Standard Offer projects? Comments:
- Given the size of the queue, our investment would not have enough impact on our objectives – so we should not provide funds to Standard Offer projects
 - Suggest a presumption that you could not take Standard Offer except under exceptional circumstances.
 - But are some business plans dependent on CEDF funds for good projects?
 - Premise for Standard Offer – to make projects profitable without incentives – so no. This incents the PSB to set right rates.
 - Thinking about technologies – it was only solar that was wildly oversubscribed.
 - Don’t have to do anything different. Take Standard Offer into account when evaluating an application. That allows more flexibility; since there may be projects that need bridge help to get to the first standard offer check.
 - Then, should we distinguish loans from grants in that case since what we’d be addressing is a cash flow problem?

- Concerned about a blanket statement – would prefer not to bind ourselves, but warn the board they can't expect anything.
- b. There was a discussion on if they were working on a policy and/or just a communication to the PSB? It was determined that the communication is time-sensitive because of the Board's January deadline to set Standard offer prices and that the decision will be a set policy.
 - c. Four possible positions were briefly explored:
 1. There's a presumption that one cannot receive CEDF funds if you take the Standard Offer, unless there are exceptional financial circumstances.
 2. Should not assume that CEDF funds would go to projects that also receive Standard Offer.
 3. No consideration of CEDF grants or loans for Standard Offer projects.
 4. Standard offer projects could not obtain CEDF grants, but maybe could get a loan
 - d. SS moved the following: "The CEDF will not make a grant to Standard Offer projects, but will consider loans". JB 2ed.
 - i. TE moved to amend the motion to take out "but will consider loans". 2ed by MS. There was a brief discussion and a vote was taken on the amendment. The vote was 4 "yes" and 4 "no" with EK, SS, RD, RS voting no. The motion failed.
 - ii. TE made a second motion to amend by adding the words "under extraordinary circumstances" to the end of SS' motion. MS 2ed. After a brief discussion a vote was taken: 5 "yes" and 3 "no" with RD, SS and EK voting no. The motion to amend passed.
 - iii. After further discussion on the newly amended motion a vote was taken on the following motion: " The CEDF will not make grants to Standard Offer projects, but will consider loans under extraordinary circumstances" The motion passed with 5 yes votes, with MS and DB voting no and TE abstaining.

V. Pellegry Loan Review and Vote. RS moves to go into executive session. DB 2ed. Vote was unanimous.

--Executive Session minutes will not be included in the public minutes posted on the web site--

- a. *Peter Bendoris from VEDA went over his underwriting analysis and recommendations to loan Pellergy the \$250K they applied for.*
 - i. *There were concerns about the projections of systems to be installed and on the salary that the principle would be collecting.*
- b. *Andy and Beth Boutin gave a short presentation on Pellergy and their loan request and took questions from the Board. Andy clarified the number of installations, what the warranty would be, the number of installers, and safety features as well as compatibility of the pellergy unit with different boiler types.*
- c. *There was general discussion of the project and that it looked good as long as VEDA's recommended conditions, plus possibly others were imposed on the loan.*
- d. JB moved to end the executive session and MS 2ed. Vote was unanimous in favor of the motion.

- e. EK made a motion to approve the loan of \$250,000 to Pellergy with the conditions suggested by VEDA, as in their report, as well as imposing a \$60,000 salary cap for Andy Boutin until the business was able to establish a two to one debt coverage ratio and that it is strongly recommended that Mr. Boutin obtain some business coaching to develop skills in running a business. RS 2ed the motion.
 - i. There was discussion and a concern raised that the business was too risky and that the chances of failure too great. A vote was taken and the motion passed five to three with TE, BD and JB voting against the motion.

VI. Carbon Harvest Loan Application

- a. JB moved to enter executive session for the purpose of discussing the details of the application. RD 2ed.
- b. JB left the meeting.

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- c. *Marie Dussault from VEDA presented the VEDA analysis and recommendation to approve the loan with conditions. There was a general discussion of the project and questions about how the fact that the project will likely have a Standard Offer contract should impact the decision on the loan. There were questions regarding the ability of the project to get conventional financing. Marie said that VEDA would approve a loan for the project, but only if the CEDF also approved this loan for \$500,000. Marie though conventional financing would be difficult and, if possible, would be at a rate that may change the finances to the point where VEDA would not give a loan to the project.*
- d. RS left the meeting.
- e. EK moved to exit executive session. RD 2ed and the motion passed unanimously.
- f. After a further discussion TE moved that the loan be denied based on the project receiving a Standard Offer contract for its power. MS 2ed. After discussion the motion failed on a three to three vote with EK, RD, and SS voting no.
- g. TE then made a motion to approve the loan and DB 2ed. That motion also failed on a three to three vote with DB, TE, and MS voting no.

VII. CEDF/DPS Staffing Request

- a. Steve Wark of the DPS presented a request by the DPS to hire up to three new staff members to work on CEDF/AARA projects. The current CEDF staff and the DPS had determined that more staff was necessary to meet the reporting requirements and to meet the federal deadlines. After discussion and questions MS moved to approve the request by the DPS to hire up to three additional staff with CEDF controlled funds. EK 2ed. After discussion the motion passed with all in favor except TE abstaining.

VIII. Meeting Adjourned at 5:30 on a motion by RD, 2ed by TE and approved unanimously.