

February 15, 2007

STATEMENT OF THE CONNECTICUT INNOVATIONS BOARD OF DIRECTORS AND THE CONNECTICUT CLEAN ENERGY FUND ADVISORY COMMITTEE REGARDING PROPOSED HOUSE BILL 6209 AN ACT CONCERNING THE RENEWABLE ENERGY INVESTMENT FUND

Connecticut Innovations' Board of Directors and the Connecticut Clean Energy Advisory Committee oppose proposed House Bill 6209, An Act Concerning the Renewable Energy Investment Fund. This bill proposes removing the Clean Energy Fund from Connecticut Innovations and placing it at the electric utilities. Oversight of the Fund would come from the Department of Public Utility Control.

The primary mission of the Clean Energy Fund is to support, through a variety of financing mechanisms, the installation of renewable energy resources in Connecticut. The Fund, with the assistance of Connecticut Innovations, accomplishes this mission through a number of innovative programs and initiatives. The Fund's relationship with Connecticut Innovations is critical to its success. As a quasi-public authority of the State, CI has the ability to be innovative, flexible and responsive to market conditions, qualities that are very important when developing renewable energy projects in the ever-changing energy marketplace.

Despite the success of its programs and initiatives, however, the Fund is regularly criticized for a perceived lack of oversight and the length of time it takes to install projects. It seems that H.B. 6209 was introduced as a direct response to these criticisms. This testimony will outline the benefits the Clean Energy Fund realizes with Connecticut Innovations as its administrator as well as discuss the issue of Fund oversight or governance. Finally, this testimony will outline the progress the Fund has made toward achieving its legislative mandate of installed clean energy.

Connecticut Innovations as Administrator of the Fund

When it was created, the Clean Energy Fund was placed at Connecticut Innovations for administrative and innovative purposes. The legislature recognized that the Fund would be dealing with emerging technologies and development of a new industry. CI has a 20 plus year history of investing in and supporting emerging technologies and new industries (e.g. bioscience industry). The similar dynamics both organizations share have created a mutually beneficial arrangement that adds value to the state and its ratepayers.

- A culture of innovation exists at CI that would be difficult to replicate at another organization. This culture promotes and encourages creative thinking and creative

solutions to complex technology and financing matters that are components of all renewable energy projects.

- The Fund relies greatly on the finance and investment expertise available at Connecticut Innovations. The professional investment team at CI has been instrumental in guiding the due diligence process necessary for successful investments and project financings of renewable energy projects.
- As a quasi-public authority, Connecticut Innovations employs private sector practices to achieve public sector goals. As such, the Fund is able to respond quickly and efficiently to varying market forces when it comes to developing complex renewable energy projects and the contracts required to implement such projects. This is an enormous benefit that would not exist should the Fund be placed at the utilities or a state agency. Its quasi-public status also allows CI to easily contract in a fair and open process with a wide range of experts and consultants who assist with due diligence and technology evaluations.
- The Fund maximizes its impact by leveraging funding available through foundations, private investors, the federal government and returns on investment, where appropriate. CI's quasi-public organizational structure allows for the flexibility to attract such outside financing and to use a variety of financial instruments for successful project financing.
- Most of the renewable technologies considered by the Fund are in very early stages of development. Even those technologies that are further along in development are not yet mature industries (other than solar that is technically sound but not cost competitive). Financial and business support for early-stage technologies is provided very differently, and at a very different pace, than support provided to more mature industries. CI has a long history of providing "patient" money and support for early stage companies. This experience benefits the Fund as it expands its portfolio of renewable technologies.
- By being at Connecticut Innovations, the Fund and CI are able to share certain functions (i.e. investment experience, due diligence process, marketing, finance, HR). The sharing of these services helps keep the Fund's administrative costs down leaving more money available for project development. Should the Fund be moved out of CI, these functions would need to be created from scratch adding costs and potentially resulting in a significant slowdown of its activities.

Effective Governance and Oversight

When the Fund was created the legislature also created a twelve member Clean Energy Advisory Committee. Members of the advisory committee are appointed by the governor, legislative leaders and Connecticut Innovations. They are experts in energy, renewable energy, the environment, technology and business. The advisory committee's role is to advise the Connecticut Innovations Board of Directors on matters relating to the Clean

Energy Fund. Connecticut Innovations' 15-member Board is also appointed by the governor and legislative leadership. Its members have expertise in business, finance, technology development and science.

All initiatives, programs and projects are brought before the advisory committee for consideration. After careful consideration, the advisory committee makes a recommendation to the Clean Energy Investment Committee of the Connecticut Innovations Board of Directors. The Clean Energy Investment Committee, made up of 6 members of the Connecticut Innovations Board, must vote to approve or deny each proposal.

Following a thorough evaluation by staff, before many of the Fund's programs and projects get presented to the advisory committee for consideration, they undergo a rigorous examination by some or all of the following: projects advisory committee made up of CI board and CCEF advisory committee members; technology advisory committee made up of CI board and CCEF advisory committee members; screening and evaluation committees made up of outside experts in the renewable energy field. The work of these committees is instrumental in assisting staff to evaluate projects' viability.

All proposals must qualify for funding pursuant to the criteria established in the Connecticut Innovations operating procedures. The operating procedures have a section specifically designated for Clean Energy Fund expenditures. Prior to enactment the operating procedures were noticed in the Connecticut Law Journal. There was a 30 day public comment period after which the operating procedures were approved by a two-thirds vote of the Connecticut Innovations Board of Directors. All amendments to the operating procedures must also be noticed in the Law Journal and approved by a two-thirds vote of the Board.

All meetings of the advisory committee, clean energy committee and the CI board are noticed with the secretary of the state and open to the public. They are also posted on the Clean Energy Fund website. Members of the public attend these meetings regularly.

The Auditors of Public Accounts conduct an annual compliance audit and a biennial financial audit of Connecticut Innovations. Both audits include the records and finances of the Clean Energy Fund. Additionally, Connecticut Innovations hires an independent accounting firm to conduct an annual financial audit.

As you can see, there are many levels of analysis and evaluation that take place both before and after any expenditure of ratepayer money is made by Connecticut Innovations on behalf of the Clean Energy Fund. All expenditures are made pursuant to operating procedures that have been approved by the board and the public auditors audit all records to verify that the operating procedures are being complied with. The proposal in H.B. 6209 to have the DPUC provide oversight of the Fund is unnecessary. Thorough oversight occurs presently and the change as recommended by this bill adds no value to the activities and undertakings of the Fund.

Progress of the Fund in Achieving its Legislative Mandate

Prior to the creation of the Clean Energy Fund, Connecticut had virtually no clean energy infrastructure in place. Market demand did not exist, there were only a few clean energy installations in the state and there was no long-term commitment to funding clean energy technologies. Once the Fund was launched, Connecticut Innovations worked diligently with the advisory committee to develop staff, processes and procedures, and programs and initiatives directed at building a clean energy infrastructure. This all took considerable time and we will be the first to admit that things did not always go smoothly. However, over several years, by relying on the expertise of the Connecticut Innovations team and the CCEF Advisory Committee's commitment to excellence, important programs were developed that are now beginning to shape the future of what clean energy will be in Connecticut for years to come. Building the Fund took considerable investment on the part of many different parties including the State Legislature. But the hard work is paying off. Over the last two and one-half years the Fund has made significant progress in developing clean energy projects across the state. To date, the Fund has:

- Financially supported over 235 clean energy systems which, when fully operational will provide the energy equivalent of electricity for 70,000 homes;
- Developed programs and initiatives that support clean energy in over 75% of all Connecticut towns;
- Signed up 34 towns for the 20% by 2010 campaign and 17 towns for the Clean Energy Communities Program;
- Assisted in enrolling over 11,250 residents in the clean energy option (the equivalent of installing 52 fuel cells); and
- Created a solar industry in Connecticut with 17 CCEF eligible solar installation companies.

Additionally, the Fund has successfully implemented Project 100, a unique program created by the legislature to support the development of 100 megawatts of large-scale, grid connected clean energy projects. The Fund is currently overseeing Round 2 review and due diligence of 31 projects with the capacity to provide 331 megawatts of clean energy. These activities have gained national and international recognition and are the model for other clean energy organizations to follow, thereby making Connecticut a pioneer and leader in such initiatives.

Perhaps even more important than what the Fund has accomplished is what the Fund currently has on its plate. The Fund's project pipeline is stronger than it has ever been. Every single one of our programs is experiencing greater demand than what was anticipated. Several of our programs have required additional funding allocations mid-year just to ensure that the program did not run out of money. This momentum is what is enabling the Fund to achieve its legislative mandate of installed capacity.

If passed, H.B. 6209 will have a detrimental effect on the clean energy industry in Connecticut. One of the biggest problems will be the delay created because of the

significant amount of time it will take to reorganize the Fund under the electric utilities. Connecticut cannot afford any more delays in financing clean energy projects. Every delay costs project developers valuable time and money. Many developers have to abandon their projects because of delays. Connecticut cannot afford to lose any clean energy projects.

Right now, the State of Connecticut is viewed as a leader on clean energy because of innovative programs such as Project 100 and the Clean Energy Communities Program. Through our On Site Distributed Generation Program, the Fund just dedicated the largest solar installation in New England. Recent enhancements to our residential solar PV program have generated unbelievable interest and we are working hard at developing further enhancements for the program. The country is watching to see if Connecticut can continue its commitment and get this done. Last year Project 100 experienced a significant delay that almost derailed many good clean energy projects across the State. We can't afford the unnecessary delays that passage of H.B. 6209 will cause. The Clean Energy Fund has built momentum over the last several years. The legislature needs to act in ways that allow the momentum to continue, not bring it to a halt.