



Senate

General Assembly

File No. 529

February Session, 2012

Substitute Senate Bill No. 413

Senate, April 18, 2012

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING BONDING AUTHORITY FOR THE CONNECTICUT CLEAN ENERGY AUTHORITY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2012*) (a) The Connecticut Clean
2 Energy Authority is authorized from time to time to issue its
3 negotiable bonds for any corporate purpose. In anticipation of the sale
4 of such bonds, the authority may issue negotiable bond anticipation
5 notes and may renew the same from time to time. Such notes shall be
6 paid from any revenues of the authority or other moneys available for
7 such purposes and not otherwise pledged, or from the proceeds of sale
8 of the bonds of the authority in anticipation of which they were issued.
9 The notes shall be issued in the same manner as the bonds. Such notes
10 and the resolution or resolutions authorizing the same may contain
11 any provisions, conditions or limitations which a bond resolution of
12 the authority may contain.

13 (b) Every issue of the bonds, notes or other obligations issued by the

14 authority shall be special obligations of the authority payable from any
15 revenues or moneys of the authority available for such purposes and
16 not otherwise pledged, subject to any agreements with the holders of
17 particular bonds, notes or other obligations pledging any particular
18 revenues or moneys, and subject to any agreements with any
19 individual, partnership, corporation or association or other body,
20 public or private. Notwithstanding that such bonds, notes or other
21 obligations may be payable from a special fund, they shall be deemed
22 to be for all purposes negotiable instruments, subject only to the
23 provisions of such bonds, notes or other obligations for registration.

24 (c) The bonds may be issued as serial bonds or as term bonds, or the
25 authority, in its discretion, may issue bonds of both types. The bonds
26 shall be authorized by resolution of the members of the board of
27 directors of the authority and shall bear such date or dates, mature at
28 such time or times, not exceeding thirty years from their respective
29 dates, bear interest at such rate or rates, be payable at such time or
30 times, be in such denominations, be in such form, either coupon or
31 registered, carry such registration privileges, be executed in such
32 manner, be payable in lawful money of the United States at such place
33 or places, and be subject to such terms of redemption, as such
34 resolution or resolutions may provide. The bonds or notes may be sold
35 at public or private sale for such price or prices as the authority shall
36 determine. The power to fix the date of sale of bonds, to receive bids or
37 proposals, to award and sell bonds, and to take all other necessary
38 action to sell and deliver bonds may be delegated to the chairperson or
39 vice-chairperson of the board, a subcommittee of the board or other
40 officers of the authority by resolution of the board. The exercise of such
41 delegated powers may be made subject to the approval of a majority of
42 the members of the board which approval may be given in the manner
43 provided in the bylaws of the authority. Pending preparation of the
44 definitive bonds, the authority may issue interim receipts or certificates
45 which shall be exchanged for such definitive bonds.

46 (d) Any resolution or resolutions authorizing any bonds or any
47 issue of bonds may contain provisions, which shall be a part of the

48 contract with the holders of the bonds to be authorized, as to: (1)
49 Pledges of the full faith and credit of the authority, the full faith and
50 credit of any individual, partnership, corporation or association or
51 other body, public or private, all or any part of the revenues of a
52 project or any revenue-producing contract or contracts made by the
53 authority with any individual, partnership, corporation or association
54 or other body, public or private, any federally guaranteed security and
55 moneys received therefrom purchased with bond proceeds or any
56 other property, revenues, funds or legally available moneys to secure
57 the payment of the bonds or of any particular issue of bonds, subject to
58 such agreements with bondholders as may then exist; (2) the rentals,
59 fees and other charges to be charged, and the amounts to be raised in
60 each year thereby, and the use and disposition of the revenues; (3) the
61 setting aside of reserves or sinking funds, and the regulation and
62 disposition thereof; (4) limitations on the right of the authority or its
63 agent to restrict and regulate the use of the project funded by such
64 bonds or issue of bonds; (5) the purpose and limitations to which the
65 proceeds of sale of any issue of bonds then or thereafter to be issued
66 may be applied, including as authorized purposes all costs and
67 expenses necessary or incidental to the issuance of bonds, to the
68 acquisition of or commitment to acquire any federally guaranteed
69 security and to the issuance and obtaining of any federally insured
70 mortgage note, and pledging such proceeds to secure the payment of
71 the bonds or any issue of the bonds; (6) limitations on the issuance of
72 additional bonds, the terms upon which additional bonds may be
73 issued and secured and the refunding of outstanding bonds; (7) the
74 procedure, if any, by which the terms of any contract with
75 bondholders may be amended or abrogated, the amount of bonds the
76 holders of which must consent thereto, and the manner in which such
77 consent may be given; (8) limitations on the amount of moneys derived
78 from such project to be expended for operating, administrative or
79 other expenses of the authority; (9) definitions of the acts or omissions
80 to act which shall constitute a default in the duties of the authority to
81 holders of its obligations and the rights and remedies of such holders
82 in the event of a default; and (10) the mortgaging of a project and the

83 site thereof for the purpose of securing the bondholders.

84 (e) Neither the members of the board of directors of the authority
85 nor any person executing the bonds, notes or other obligations shall be
86 liable personally on the bonds, notes or other obligations or be subject
87 to any personal liability or accountability by reason of the issuance
88 thereof.

89 (f) The authority shall have the power to purchase its bonds, notes
90 or other obligations out of any funds available for such purposes. The
91 authority may hold, pledge, cancel or resell such bonds, notes or other
92 obligations, subject to and in accordance with agreements with
93 bondholders. The authority may sell, transfer or assign any of its loan
94 assets to a trustee or other third party for the purposes of providing
95 security for its bonds, notes or other obligations, or for bonds, notes or
96 other obligations issued by the trustee or other third party on its
97 behalf.

98 (g) The authority is further authorized and empowered to issue
99 bonds, notes or other obligations under this section, the interest on
100 which may be includable in the gross income of the holder or holders
101 thereof under the Internal Revenue Code of 1986, or any subsequent
102 corresponding internal revenue code of the United States, as from time
103 to time amended, to the same extent and in the same manner that
104 interest on bills, notes, bonds or other obligations of the United States
105 is includable in the gross income of the holder or holders thereof under
106 said internal revenue code. Any such bonds, notes or other obligations
107 may be issued only upon a finding by the authority that such issuance
108 is necessary, is in the public interest, and is in furtherance of the
109 purposes and powers of the authority. The state hereby consents to
110 such inclusion only for the bonds, notes or other obligations of the
111 authority so issued.

112 (h) At the discretion of the authority, any bonds issued under the
113 provisions of this section may be secured by a trust agreement by and
114 between the authority and a corporate trustee or trustees, which may
115 be any trust company or bank having the powers of a trust company

116 within or without the state. Such trust agreement or the resolution
117 providing for the issuance of such bonds or other instrument of the
118 authority may secure such bonds by a pledge or assignment of any
119 revenues to be received, any contract or proceeds of any contract, or
120 any other property, revenues, moneys or funds available to the
121 authority for such purpose. Any pledge made by the authority
122 pursuant to this subsection shall be valid and binding from the time
123 when the pledge is made. The lien of any such pledge shall be valid
124 and binding as against all parties having claims of any kind in tort,
125 contract or otherwise against the authority, irrespective of whether the
126 parties have notice of the claims. Notwithstanding any provision of the
127 Uniform Commercial Code, no instrument by which such pledge is
128 created need be recorded or filed except in the records of the authority.
129 Any revenues, contract or proceeds of any contract, or other property,
130 revenues, moneys or funds so pledged and thereafter received by the
131 authority shall be subject immediately to the lien of the pledge without
132 any physical delivery thereof or further act, and such lien shall have
133 priority over all other liens. Such trust agreement or resolution may
134 mortgage, assign or convey any real property to secure such bonds.
135 Such trust agreement or resolution providing for the issuance of such
136 bonds may contain such provisions for protecting and enforcing the
137 rights and remedies of the bondholders as may be reasonable and
138 proper and not in violation of law, including such provisions as have
139 been specifically authorized by this section to be included in any
140 resolution of the authority authorizing bonds thereof. Any bank or
141 trust company incorporated under the laws of this state, which may
142 act as depository of the proceeds of bonds or of revenues or other
143 moneys, may furnish such indemnifying bonds or pledge such
144 securities as may be required by the authority. Any such trust
145 agreement or resolution may set forth the rights and remedies of the
146 bondholders and of the trustee or trustees, and may restrict the
147 individual right of action by bondholders. In addition to the foregoing,
148 any such trust agreement or resolution may contain such other
149 provisions as the authority may deem reasonable and proper for the
150 security of the bondholders. All expenses incurred in carrying out the

151 provisions of such trust agreement or resolution may be treated as a
152 part of the cost of the operation of a project.

153 (i) Bonds issued under the provisions of this section shall not be
154 deemed to constitute a debt or liability of the state or of any political
155 subdivision thereof, other than the authority, or a pledge of the full
156 faith and credit of the state or any of its political subdivisions other
157 than the authority, but shall be payable solely from the funds provided
158 for such purposes by this section. All such bonds shall contain on the
159 face thereof a statement to the effect that neither the state of
160 Connecticut nor any political subdivision thereof, other than the
161 authority, shall be obligated to pay the same or the interest thereon
162 except from revenues of the project or the portion thereof for which
163 such bonds are issued, and that neither the full faith and credit nor the
164 taxing power of the state of Connecticut or of any political subdivision
165 thereof, other than the authority, is pledged to the payment of the
166 principal of or the interest on such bonds. The issuance of bonds under
167 the provisions of this section shall not directly, indirectly or
168 contingently obligate the state or any political subdivision thereof to
169 levy or to pledge any form of taxation or to make any appropriation
170 for the payment of such bonds. Nothing contained in this section shall
171 prevent or be construed to prevent the authority from pledging its full
172 faith and credit or the full faith and credit of any individual,
173 partnership, corporation or association or other body, public or
174 private, to the payment of bonds or issue of bonds authorized
175 pursuant to this section.

176 (j) The state of Connecticut does hereby pledge to and agree with
177 the holders of any bonds, notes or other obligations issued under this
178 section and with those parties who may enter into contracts with the
179 authority or its successor agency pursuant to the provisions of this
180 section that the state shall not limit or alter the rights hereby vested in
181 the authority until such obligations, together with the interest thereon,
182 are fully met and discharged and such contracts are fully performed
183 on the part of the authority, provided nothing contained in this
184 subsection shall preclude such limitation or alteration if and when

185 adequate provision is made by law for the protection of the holders of
186 such bonds, notes or other obligations of the authority or those
187 entering into such contracts with the authority. The authority is
188 authorized to include this pledge and undertaking for the state in such
189 bonds, notes or other obligations, or contracts.

190 (k) (1) The authority is authorized to fix, revise, charge and collect
191 rates, rents, fees and charges for the use of and for the services
192 furnished or to be furnished by each project, and to contract with any
193 individual, partnership, corporation or association, or other body,
194 public or private, in respect thereof. Such rates, rents, fees and charges
195 shall be fixed and adjusted in respect of the aggregate of rates, rents,
196 fees and charges from such project so as to provide funds sufficient
197 with other revenues or moneys available for such purposes, if any, (A)
198 to pay the cost of maintaining, repairing and operating the project and
199 each and every portion thereof, to the extent that the payment of such
200 cost has not otherwise been adequately provided for, (B) to pay the
201 principal of and the interest on outstanding bonds of the authority
202 issued in respect of such project as the same shall become due and
203 payable, and (C) to create and maintain reserves required or provided
204 for in any resolution authorizing, or trust agreement securing, such
205 bonds of the authority. Such rates, rents, fees and charges shall not be
206 subject to supervision or regulation by any department, commission,
207 board, body, bureau or agency of this state other than the authority.

208 (2) A sufficient amount of the revenues derived in respect of a
209 project, except such part of such revenues as may be necessary to pay
210 the cost of maintenance, repair and operation and to provide reserves
211 and for renewals, replacements, extensions, enlargements and
212 improvements as may be provided for in the resolution authorizing
213 the issuance of any bonds of the authority or in the trust agreement
214 securing the same, shall be set aside at such regular intervals as may be
215 provided in such resolution or trust agreement in a sinking or other
216 similar fund which is hereby pledged to, and charged with, the
217 payment of the principal of and the interest on such bonds as the same
218 shall become due, and the redemption price or the purchase price of

219 bonds retired by call or purchase as therein provided. Such pledge
220 shall be valid and binding from the time when the pledge is made. The
221 rates, rents, fees and charges and other revenues or other moneys so
222 pledged and thereafter received by the authority shall immediately be
223 subject to the lien of such pledge without any physical delivery thereof
224 or further act, and the lien of any such pledge shall be valid and
225 binding as against all parties having claims of any kind in tort, contract
226 or otherwise against the authority, irrespective of whether such parties
227 have notice of such claims. Notwithstanding any provision of the
228 Connecticut Uniform Commercial Code, neither the resolution nor any
229 trust agreement nor any other agreement nor any lease by which a
230 pledge is created need be filed or recorded except in the records of the
231 authority. The use and disposition of moneys to the credit of such
232 sinking or other similar fund shall be subject to the provisions of the
233 resolution authorizing the issuance of such bonds or of such trust
234 agreement. Except as may otherwise be provided in such resolution or
235 such trust agreement, such sinking or other similar fund may be a fund
236 for all such bonds issued to finance projects for any individual,
237 partnership, corporation or association, or other body, public or
238 private, without distinction or priority of one over another; provided
239 the authority in any such resolution or trust agreement may provide
240 that such sinking or other similar fund shall be the fund for a
241 particular project for any individual, partnership, corporation or
242 association, or other body, public or private, and for the bonds issued
243 to finance a particular project and may, additionally, permit and
244 provide for the issuance of bonds having a subordinate lien in respect
245 of the security authorized by this subsection to other bonds of the
246 authority, and, in such case, the authority may create separate sinking
247 or other similar funds in respect of such subordinate lien bonds.

248 (l) All moneys received pursuant to the provisions of this section,
249 whether as proceeds from the sale of bonds or as revenues, shall be
250 deemed to be trust funds to be held and applied solely as provided in
251 this section. Any officer with whom, or any bank or trust company
252 with which, such moneys are deposited shall act as trustee of such
253 moneys and shall hold and apply the same for the purposes of this

254 section, subject to the resolution authorizing the bonds of any issue or
255 the trust agreement securing such bonds.

256 (m) Any holder of bonds, bond anticipation notes, other notes or
257 other obligations issued under the provisions of this section, or any of
258 the coupons appertaining thereto, and the trustee or trustees under
259 any trust agreement, except to the extent the rights given by this
260 section may be restricted by any resolution authorizing the issuance of,
261 or any such trust agreement securing, such bonds, may, either at law
262 or in equity, by suit, action, mandamus or other proceedings, protect
263 and enforce any and all rights under the laws of the state or granted by
264 this section or under such resolution or trust agreement, and may
265 enforce and compel the performance of all duties required by this
266 section or by such resolution or trust agreement to be performed by the
267 authority or by any officer, employee or agent thereof, including the
268 fixing, charging and collecting of the rates, rents, fees and charges
269 authorized by this section and required by the provisions of such
270 resolution or trust agreement to be fixed, established and collected.

271 (n) The authority shall have power to contract with the holders of
272 any of its bonds or notes as to the custody, collection, securing,
273 investment and payment of any reserve funds of the authority, or of
274 any moneys held in trust or otherwise for the payment of bonds or
275 notes, and to carry out such contracts. Any officer with whom, or any
276 bank or trust company with which, such moneys shall be deposited as
277 trustee thereof shall hold, invest, reinvest and apply such moneys for
278 the purposes thereof, subject to such provisions as this section and the
279 resolution authorizing the issue of the bonds or notes or the trust
280 agreement securing such bonds or notes may provide.

281 (o) The exercise of the powers granted by this section shall be in all
282 respects for the benefit of the people of this state, for the increase of
283 their commerce, welfare and prosperity, and for the improvement of
284 their health and living conditions, and, as the exercise of such powers
285 shall constitute the performance of an essential public function, neither
286 the authority, any affiliate of the authority, nor any collection or other

287 agent of the authority nor any such affiliate shall be required to pay
288 any taxes or assessments upon or in respect of any revenues or
289 property received, acquired, transferred or used by the authority, any
290 affiliate of the authority or any collection or other agent of the
291 authority or any such affiliate or upon or in respect of the income from
292 such revenues or property. Any bonds, notes or other obligations
293 issued under the provisions of this section, their transfer and the
294 income therefrom, including any profit made on the sale of such
295 bonds, notes or other obligations, shall at all times be free from
296 taxation of every kind by the state and by the municipalities and other
297 political subdivisions in the state, except for estate and succession
298 taxes. The interest on such bonds, notes or other obligations shall be
299 included in the computation of any excise or franchise tax.

300 (p) (1) The authority is hereby authorized to provide for the
301 issuance of bonds of the authority for the purpose of refunding any
302 bonds of the authority then outstanding, including the payment of any
303 redemption premium thereon and any interest accrued or to accrue to
304 the earliest or subsequent date of redemption, purchase or maturity of
305 such bonds, and, if deemed advisable by the authority, for the
306 additional purpose of paying all or any part of the cost of constructing
307 and acquiring additions, improvements, extensions or enlargements of
308 a project or any portion thereof.

309 (2) The proceeds of any such bonds issued for the purpose of
310 refunding outstanding bonds may, at the discretion of the authority, be
311 applied to the purchase or retirement at maturity or redemption of
312 such outstanding bonds either on their earliest or any subsequent
313 redemption date or upon the purchase or at the maturity thereof and
314 may, pending such application, be placed in escrow to be applied to
315 such purchase or retirement at maturity or redemption on such date as
316 may be determined by the authority.

317 (3) Any such escrowed proceeds, pending such use, may be
318 invested and reinvested in direct obligations of, or obligations
319 unconditionally guaranteed by, the United States and certificates of

320 deposit or time deposits secured by direct obligations of, or obligations
321 unconditionally guaranteed by, the United States, or obligations of a
322 state, a territory, or a possession of the United States, or any political
323 subdivision of any of the foregoing, within the meaning of Section
324 103(a) of the Internal Revenue Code of 1986, or any subsequent
325 corresponding internal revenue code of the United States, as amended
326 from time to time, the full and timely payment of the principal of and
327 interest on which are secured by an irrevocable deposit of direct
328 obligations of the United States which, if the outstanding bonds are
329 then rated by a nationally recognized rating agency, are rated in the
330 highest rating category by such rating agency, maturing at such time
331 or times as shall be appropriate to assure the prompt payment, as to
332 principal, interest and redemption premium, if any, of the outstanding
333 bonds to be so refunded. The interest, income and profits, if any,
334 earned or realized on any such investment or reinvestment may also
335 be applied to the payment of the outstanding bonds to be so refunded.
336 After the terms of the escrow have been fully satisfied and carried out,
337 any balance of such proceeds and interest, income and profits, if any,
338 earned or realized on the investments or reinvestments thereof may be
339 returned to the authority for use by it in any lawful manner.

340 (4) The portion of the proceeds of any such bonds issued for the
341 additional purpose of paying all or any part of the cost of constructing
342 and acquiring additions, improvements, extensions or enlargements of
343 a project or any portion thereof may be invested and reinvested as the
344 provisions of this section and the resolution authorizing the issuance
345 of such bonds or the trust agreement securing such bonds may
346 provide. The interest, income and profits, if any, earned or realized on
347 such investment or reinvestment may be applied to the payment of all
348 or any part of such cost or may be used by the authority in any lawful
349 manner.

350 (5) All such bonds shall be subject to the provisions of this section in
351 the same manner and to the same extent as other bonds issued
352 pursuant to this section, section 1, 3 or 4 of this act or section 16-245n
353 of the general statutes, as amended by this act.

354 (q) Bonds issued by the authority under the provisions of this
355 section are hereby made securities in which all public officers and
356 public bodies of the state and its political subdivisions, all insurance
357 companies, state banks and trust companies, national banking
358 associations, savings banks, savings and loan associations, investment
359 companies, executors, administrators, trustees and other fiduciaries
360 may properly and legally invest funds, including capital in their
361 control or belonging to them. Such bonds are hereby made securities
362 which may properly and legally be deposited with and received by
363 any state or municipal officer or any agency or political subdivision of
364 the state for any purpose for which the deposit of bonds or obligations
365 of the state is now or may hereafter be authorized by law.

366 (r) In conjunction with the issuance of the bonds, notes or other
367 obligations, the authority may: (1) Make representations and
368 agreements for the benefit of the holders of the bonds, notes or other
369 obligations to make secondary market disclosures; (2) enter into
370 interest rate swap agreements and other agreements for the purpose of
371 moderating interest rate risk on the bonds, notes or other obligations;
372 (3) enter into such other agreements and instruments to secure the
373 bonds, notes or other obligations; and (4) take such other actions as
374 necessary or appropriate for the issuance and distribution of the
375 bonds, notes or other obligations and may make representations and
376 agreements for the benefit of the holders of the bonds, notes or other
377 obligations which are necessary or appropriate to ensure exclusion of
378 the interest payable on the bonds, notes or other obligations from gross
379 income under the Internal Revenue Code of 1986, or any subsequent
380 corresponding internal revenue code of the United States, as amended
381 from time to time.

382 Sec. 2. (NEW) (*Effective July 1, 2012*) (a) The Connecticut Clean
383 Energy Authority may issue clean energy bonds secured in whole or in
384 part by the assets of, and assessment of charges and other receipts
385 deposited into, the Clean Energy Fund established pursuant to section
386 16-245n of the general statutes, as amended by this act. The clean
387 energy bonds shall be nonrecourse to the credit or any assets of the

388 state or the authority.

389 (b) The state of Connecticut does hereby pledge to and agree with
390 the owners and holders of the clean energy bonds that the state shall
391 not limit or alter the assessment of charges pursuant to subsection (b)
392 of section 16-245n of the general statutes, as amended by this act, and
393 all rights thereunder, until the clean energy bonds, together with the
394 interest thereon, are fully met and discharged, provided nothing
395 contained in this subsection shall preclude such limitation or alteration
396 if and when adequate provision is made by law for the protection of
397 the owners and holders of such bonds. The authority is authorized to
398 include this pledge and undertaking for the state in the clean energy
399 bonds.

400 (c) The clean energy bonds shall not be deemed to constitute a debt
401 or liability of the state or of any political subdivision thereof, other
402 than the authority, or a pledge of the full faith and credit of the state or
403 any of its political subdivisions, other than the authority, but shall be
404 payable solely from the funds provided under section 16-245n of the
405 general statutes, as amended by this act, and shall not constitute an
406 indebtedness of the state within the meaning of any constitutional or
407 statutory debt limitation or restriction and accordingly shall not be
408 subject to any statutory limitation on the indebtedness of the state and
409 shall not be included in computing the aggregate indebtedness of the
410 state in respect to and to the extent of any such limitation. This
411 subsection shall not preclude bond guarantees or enhancements as
412 provided in subsection (d) of section 16-245n of the general statutes, as
413 amended by this act. All clean energy bonds shall contain on the face
414 thereof a statement to the following effect: "Neither the full faith and
415 credit nor the taxing power of the State of Connecticut is pledged to
416 the payment of the principal of, or interest on, this bond."

417 (d) The exercise of the powers granted by this section and section
418 16-245n of the general statutes, as amended by this act, shall be in all
419 respects for the benefit of the people of this state, for the increase of
420 their commerce, welfare and prosperity, and as the exercise of such

421 powers shall constitute the performance of an essential public function,
422 neither the authority, any affiliate of the authority, nor any collection
423 or other agent of the authority or any such affiliate shall be required to
424 pay any taxes or assessments upon or in respect of any revenues or
425 property received, acquired, transferred or used by the authority, any
426 affiliate of the authority or any collection or other agent of the
427 authority or any such affiliate, or upon or in respect of the income from
428 such revenues or property. Any bonds, notes or other obligations
429 issued under the provisions of this section, their transfer and the
430 income therefrom, including any profit made on the sale of such
431 bonds, notes or other obligations, shall at all times be free from
432 taxation of every kind by the state and by the municipalities and other
433 political subdivisions in the state except for estate and succession
434 taxes. The interest on such bonds, notes and other obligations shall be
435 included in the computation of any excise or franchise tax.

436 (e) The proceeds of any clean energy bonds shall be used for the
437 purposes of the authority in accordance with section 16-245n of the
438 general statutes, as amended by this act.

439 Sec. 3. (NEW) (*Effective July 1, 2012*) (a) For purposes of this section,
440 "required minimum capital reserve" means the maximum amount
441 permitted to be deposited in a special capital reserve fund by the
442 Internal Revenue Code of 1986, or any subsequent corresponding
443 internal revenue code of the United States, as amended from time to
444 time, to permit the interest on such bonds to be excluded from gross
445 income for federal tax purposes and secured by such special capital
446 reserve fund.

447 (b) In connection with the issuance of bonds or to refund bonds
448 previously issued by the Connecticut Clean Energy Authority, or in
449 connection with the issuance of bonds to effect a refinancing or other
450 restructuring with respect to one or more projects, the authority may
451 create and establish one or more reserve funds to be known as special
452 capital reserve funds, and may pay into such special capital reserve
453 funds (1) any moneys appropriated and made available by the state for

454 the purposes of such special capital reserve funds, (2) any proceeds of
455 the sale of notes or bonds, to the extent provided in the resolution of
456 the authority authorizing the issuance thereof, and (3) any other
457 moneys which may be made available to the authority for the purpose
458 of such special capital reserve funds from any other source or sources.

459 (c) The moneys held in or credited to any special capital reserve
460 fund established under this section, except as hereinafter provided,
461 shall be used for (1) the payment of the principal of and interest, when
462 due, whether at maturity or by mandatory sinking fund installments,
463 on bonds of the authority secured by such special capital reserve fund
464 as such payments become due, or (2) the purchase of such bonds of the
465 authority and the payment of any redemption premium required to be
466 paid when such bonds are redeemed prior to maturity, including in
467 any such case by way of reimbursement of a provider of bond
468 insurance or of a credit or liquidity facility that has paid such
469 redemption premiums. Notwithstanding the provisions of
470 subdivisions (1) and (2) of this subsection, the authority may provide
471 that moneys in any such special capital reserve fund shall not be
472 withdrawn therefrom at any time in such amount as would reduce the
473 amount of such moneys to less than the maximum amount of principal
474 and interest becoming due by reasons of maturity or a required
475 sinking fund installment in the then current or any succeeding
476 calendar year on the bonds of the authority then outstanding, or less
477 than the required minimum capital reserve, except for the purpose of
478 paying such principal of, redemption premium and interest on such
479 bonds of the authority secured by such special capital reserve
480 becoming due and for the payment of which other moneys of the
481 authority are not available. The authority may provide that it shall not
482 issue bonds secured by a special capital reserve fund at any time if the
483 required minimum capital reserve on the bonds outstanding and the
484 bonds then to be issued and secured by the same special capital
485 reserve fund at the time of issuance exceeds the moneys in the special
486 capital reserve fund, unless the authority, at the time of the issuance of
487 such bonds, deposits in such special capital reserve fund from the
488 proceeds of the bonds so to be issued, or from other sources, an

489 amount which, together with the amount then in such special capital
490 reserve fund, will be not less than the required minimum capital
491 reserve.

492 (d) On or before December first, annually, there is deemed to be
493 appropriated from the General Fund such sums, if any, as shall be
494 certified by the chairperson or vice-chairperson of the authority to the
495 Secretary of the Office of Policy and Management and the State
496 Treasurer, as necessary to restore each such special capital reserve
497 fund to the amount equal to the required minimum capital reserve of
498 such fund, and such amounts shall be allotted and paid to the
499 authority. For the purpose of evaluation of any such special capital
500 reserve fund, obligations acquired as an investment for any such
501 special capital reserve fund shall be valued at market. Nothing
502 contained in this section shall preclude the authority from establishing
503 and creating other debt service reserve funds in connection with the
504 issuance of bonds or notes of the authority which are not special
505 capital reserve funds. Subject to any agreement or agreements with
506 holders of outstanding notes and bonds of the authority, any amount
507 or amounts allotted and paid to the authority pursuant to this
508 subsection shall be repaid to the state from moneys of the authority at
509 such time as such moneys are not required for any other of the
510 authority's corporate purposes, and in any event shall be repaid to the
511 state on the date one year after all bonds and notes of the authority
512 theretofore issued on the date or dates such amount or amounts are
513 allotted and paid to the authority or thereafter issued, together with
514 interest on such bonds and notes, with interest on any unpaid
515 installments of interest and all costs and expenses in connection with
516 any action or proceeding by or on behalf of the holders thereof, are
517 fully met and discharged.

518 (e) No bonds secured by a special capital reserve fund shall be
519 issued to pay project costs unless the authority is of the opinion and
520 determines that the revenues from the project shall be sufficient to (1)
521 pay the principal of and interest on the bonds issued to finance the
522 project, (2) establish, increase and maintain any reserves deemed by

523 the authority to be advisable to secure the payment of the principal of
524 and interest on such bonds, (3) pay the cost of maintaining the project
525 in good repair and keeping it properly insured, and (4) pay such other
526 costs of the project as may be required.

527 (f) Notwithstanding the provisions of this section, no bonds secured
528 by a special capital reserve fund shall be issued by the authority until
529 and unless such issuance has been approved by the Secretary of the
530 Office of Policy and Management or his or her deputy. Any such
531 approval by the secretary pursuant to this subsection shall be in
532 addition to (1) the otherwise required opinion of sufficiency by the
533 authority set forth in subsection (e) of this section, and (2) the approval
534 of the State Treasurer or the Deputy State Treasurer and the
535 documentation by the authority otherwise required under subsection
536 (a) of section 1-124 of the general statutes, as amended by this act. Such
537 approval may provide for the waiver or modification of such other
538 requirements of this section as the secretary determines to be necessary
539 or appropriate in order to effectuate such issuance, subject to all
540 applicable tax covenants of the authority and the state.

541 (g) Notwithstanding any other provision contained in this section,
542 the aggregate amount of bonds secured by such special capital reserve
543 fund authorized to be created and established by this section shall not
544 exceed one hundred million dollars.

545 Sec. 4. Subdivision (2) of subsection (a) of section 32-141 of the
546 general statutes is repealed and the following is substituted in lieu
547 thereof (*Effective July 1, 2012*):

548 (2) The total amount of private activity bonds which may be issued
549 by state issuers in the calendar year commencing January 1, 2007, and
550 each calendar year thereafter, under the state ceiling in effect for each
551 such year, shall be allocated as follows: (A) Sixty per cent to the
552 Connecticut Housing Finance Authority; (B) twelve and one-half per
553 cent to the Connecticut Development Authority; and (C) twenty-seven
554 and one-half per cent to municipalities and political subdivisions,
555 departments, agencies, authorities and other bodies of municipalities,

556 [and] the Connecticut Higher Education Supplemental Loan Authority
557 and the Connecticut Clean Energy Authority, then to the Connecticut
558 Student Loan Foundation and then for contingencies. At least ten per
559 cent of bonds allocated under subparagraph (A) of this subdivision
560 shall be used for multifamily residential housing in the calendar year
561 commencing January 1, 2008. In each calendar year commencing
562 January 1, 2009, fifteen per cent of such bonds shall be used for
563 multifamily residential housing.

564 Sec. 5. Section 16-245n of the 2012 supplement to the general statutes
565 is repealed and the following is substituted in lieu thereof (*Effective July*
566 *1, 2012*):

567 (a) For purposes of this section, "clean energy" means solar
568 photovoltaic energy, solar thermal, geothermal energy, wind, ocean
569 thermal energy, wave or tidal energy, fuel cells, landfill gas,
570 hydropower that meets the low-impact standards of the Low-Impact
571 Hydropower Institute, hydrogen production and hydrogen conversion
572 technologies, low emission advanced biomass conversion technologies,
573 alternative fuels, used for electricity generation including ethanol,
574 biodiesel or other fuel produced in Connecticut and derived from
575 agricultural produce, food waste or waste vegetable oil, provided the
576 Commissioner of Energy and Environmental Protection determines
577 that such fuels provide net reductions in greenhouse gas emissions
578 and fossil fuel consumption, usable electricity from combined heat and
579 power systems with waste heat recovery systems, thermal storage
580 systems, other energy resources and emerging technologies which
581 have significant potential for commercialization and which do not
582 involve the combustion of coal, petroleum or petroleum products,
583 municipal solid waste or nuclear fission, financing of energy efficiency
584 projects, and projects that seek to deploy electric, electric hybrid,
585 natural gas or alternative fuel vehicles and associated infrastructure
586 and any related storage, distribution, manufacturing technologies or
587 facilities.

588 (b) On and after July 1, 2004, the Public Utilities Regulatory

589 Authority shall assess or cause to be assessed a charge of not less than
590 one mill per kilowatt hour charged to each end use customer of electric
591 services in this state which shall be deposited into the Clean Energy
592 Fund established under subsection (c) of this section. Notwithstanding
593 the provisions of this section, receipts from such charges shall be
594 disbursed to the resources of the General Fund during the period from
595 July 1, 2003, to June 30, 2005, unless the authority shall, on or before
596 October 30, 2003, issue a financing order for each affected distribution
597 company in accordance with sections 16-245e to 16-245k, inclusive, to
598 sustain funding of renewable energy investment programs by
599 substituting an equivalent amount, as determined by the authority in
600 such financing order, of proceeds of rate reduction bonds for
601 disbursement to the resources of the General Fund during the period
602 from July 1, 2003, to June 30, 2005. The authority may authorize in such
603 financing order the issuance of rate reduction bonds that substitute for
604 disbursement to the General Fund for receipts of both charges under
605 this subsection and subsection (a) of section 16-245m and also may in
606 its discretion authorize the issuance of rate reduction bonds under this
607 subsection and subsection (a) of section 16-245m that relate to more
608 than one electric distribution company. The authority shall, in such
609 financing order or other appropriate order, offset any increase in the
610 competitive transition assessment necessary to pay principal,
611 premium, if any, interest and expenses of the issuance of such rate
612 reduction bonds by making an equivalent reduction to the charges
613 imposed under this subsection, provided any failure to offset all or any
614 portion of such increase in the competitive transition assessment shall
615 not affect the need to implement the full amount of such increase as
616 required by this subsection and sections 16-245e to 16-245k, inclusive.
617 Such financing order shall also provide if the rate reduction bonds are
618 not issued, any unrecovered funds expended and committed by the
619 electric distribution companies for renewable resource investment
620 through deposits into the Clean Energy Fund, provided such
621 expenditures were approved by the authority following August 20,
622 2003, and prior to the date of determination that the rate reduction
623 bonds cannot be issued, shall be recovered by the companies from

624 their respective competitive transition assessment or systems benefits
625 charge, except that such expenditures shall not exceed one million
626 dollars per month. All receipts from the remaining charges imposed
627 under this subsection, after reduction of such charges to offset the
628 increase in the competitive transition assessment as provided in this
629 subsection, shall be disbursed to the Clean Energy Fund commencing
630 as of July 1, 2003. Any increase in the competitive transition
631 assessment or decrease in the renewable energy investment
632 component of an electric distribution company's rates resulting from
633 the issuance of or obligations under rate reduction bonds shall be
634 included as rate adjustments on customer bills.

635 (c) There is hereby created a Clean Energy Fund which shall be
636 within the Connecticut Clean Energy [Finance and Investment]
637 Authority. The fund may receive any amount required by law to be
638 deposited into the fund and may receive any federal funds as may
639 become available to the state for clean energy investments. Upon
640 authorization of the Connecticut Clean Energy [Finance and
641 Investment] Authority established pursuant to subsection (d) of this
642 section, any amount in said fund may be used for expenditures that
643 promote investment in clean energy in accordance with a
644 comprehensive plan developed by it to foster the growth, development
645 and commercialization of clean energy sources, related enterprises and
646 stimulate demand for clean energy and deployment of clean energy
647 sources that serve end use customers in this state and for the further
648 purpose of supporting operational demonstration projects for
649 advanced technologies that reduce energy use from traditional
650 sources. Such expenditures may include, but not be limited to,
651 providing low-cost financing and credit enhancement mechanisms for
652 clean energy projects and technologies, reimbursement of the
653 operating expenses, including administrative expenses incurred by the
654 authority and [the corporation] Connecticut Innovations, Incorporated,
655 and capital costs incurred by the authority in connection with the
656 operation of the fund, the implementation of the plan developed
657 pursuant to subsection (d) of this section or the other permitted
658 activities of the authority, disbursements from the fund to develop and

659 carry out the plan developed pursuant to subsection (d) of this section,
660 grants, direct or equity investments, contracts or other actions which
661 support research, development, manufacture, commercialization,
662 deployment and installation of clean energy technologies, and actions
663 which expand the expertise of individuals, businesses and lending
664 institutions with regard to clean energy technologies.

665 (d) (1) (A) There is established the Connecticut Clean Energy
666 [Finance and Investment] Authority, which [shall be deemed a quasi-
667 public agency for purposes of chapters 5, 10 and 12 and within
668 Connecticut Innovations, Incorporated, for administrative purposes
669 only] is hereby established and created as a body politic and corporate,
670 constituting a public instrumentality and political subdivision of the
671 state of Connecticut established and created for the performance of an
672 essential public and governmental function. The authority shall not be
673 construed to be a department, institution or agency of the state and
674 shall be within Connecticut Innovations, Incorporated, for
675 administrative purposes only.

676 (B) The authority shall [(A)] (i) develop separate programs to
677 finance and otherwise support clean energy investment in residential,
678 municipal, small business and larger commercial projects and such
679 others as the authority may determine; [(B)] (ii) support financing or
680 other expenditures that promote investment in clean energy sources in
681 accordance with a comprehensive plan developed by it to foster the
682 growth, development and commercialization of clean energy sources
683 and related enterprises; and [(C)] (iii) stimulate demand for clean
684 energy and the deployment of clean energy sources within the state
685 that serve end-use customers in the state.

686 (C) Said authority shall constitute a successor agency to the
687 [corporation] Clean Energy Finance and Investment Authority which
688 was a successor agency to Connecticut Innovations, Incorporated for
689 the purposes of [administrating] administering the Clean Energy
690 Fund, in accordance with section 4-38d. [Said authority] The
691 Connecticut Clean Energy Authority shall have all the privileges,

692 immunities, tax exemptions and other exemptions of [the corporation.
693 Said authority] Connecticut Innovations, Incorporated and the Clean
694 Energy Finance and Investment Authority with respect to said fund.
695 The Connecticut Clean Energy Authority shall be subject to suit and
696 liability solely from the assets, revenues and resources of the authority
697 and without recourse to the general funds, revenues, resources or
698 other assets of [the corporation] Connecticut Innovations, Incorporated
699 or the Clean Energy Finance and Investment Authority. The
700 Connecticut Clean Energy Authority may provide financial assistance
701 in the form of grants, loans, loan guarantees or debt and equity
702 investments, as approved in accordance with written procedures
703 adopted pursuant to section 1-121. Said authority may assume or take
704 title to any real property, convey or dispose of its assets and pledge its
705 revenues to secure any borrowing, convey or dispose of its assets and
706 pledge its revenues to secure any borrowing, for the purpose of
707 developing, acquiring, constructing, refinancing, rehabilitating or
708 improving its assets or supporting its programs, provided each such
709 borrowing or mortgage, unless otherwise provided by the [board or
710 the] authority, shall be a special obligation of the authority, which
711 obligation may be in the form of bonds, bond anticipation notes or
712 other obligations which evidence an indebtedness to the extent
713 permitted under this chapter to fund, refinance and refund the same
714 and provide for the rights of holders thereof, and to secure the same by
715 pledge of revenues, notes and mortgages of others, and which shall be
716 payable solely from the assets, revenues and other resources of the
717 authority and [in no event shall] such bonds may be secured by a
718 special capital reserve fund [of any kind which is in any way]
719 contributed to by the state. The authority shall have the purposes as
720 provided by resolution of the authority's board of directors, which
721 purposes shall be consistent with this section. No further action is
722 required for the establishment of the authority, except the adoption of
723 a resolution for the authority.

724 (2) (A) The authority may seek to qualify as a Community
725 Development Financial Institution under Section 4702 of the United
726 States Code. If approved as a Community Development Financial

727 Institution, the authority would be treated as a qualified community
728 development entity for purposes of Section 45D and Section 1400N(m)
729 of the Internal Revenue Code.

730 (B) Before making any loan, loan guarantee, or such other form of
731 financing support or risk management for a clean energy project, the
732 authority shall develop standards to govern the administration of the
733 authority through rules, policies and procedures that specify borrower
734 eligibility, terms and conditions of support, and other relevant criteria,
735 standards or procedures.

736 (C) Funding sources specifically authorized include, but are not
737 limited to:

738 (i) Funds repurposed from existing programs providing financing
739 support for clean energy projects, provided any transfer of funds from
740 such existing programs shall be subject to approval by the General
741 Assembly and shall be used for expenses of financing, grants and
742 loans;

743 (ii) Any federal funds that can be used for the purposes specified in
744 subsection (c) of this section;

745 (iii) Charitable gifts, grants, contributions as well as loans from
746 individuals, corporations, university endowments and philanthropic
747 foundations;

748 (iv) Earnings and interest derived from financing support activities
749 for clean energy projects backed by the authority;

750 (v) If and to the extent that the authority qualifies as a Community
751 Development Financial Institution under Section 4702 of the United
752 States Code, funding from the Community Development Financial
753 Institution Fund administered by the United States Department of
754 Treasury, as well as loans from and investments by depository
755 institutions seeking to comply with their obligations under the United
756 States Community Reinvestment Act of 1977; and

757 (vi) The authority may enter into contracts with private sources to
758 raise capital. The average rate of return on such debt [or equity] shall
759 be set by the authority's board of directors.

760 (D) The authority may provide financing support under this
761 subsection if the authority determines that the amount to be financed
762 by the authority and other nonequity financing sources do not exceed
763 eighty per cent of the cost to develop and deploy a clean energy project
764 or up to one hundred per cent of the cost of financing an energy
765 efficiency project.

766 (E) The authority may assess reasonable fees on its financing
767 activities to cover its reasonable costs and expenses, as determined by
768 the board.

769 (F) The authority shall make information regarding the rates, terms
770 and conditions for all of its financing support transactions available to
771 the public for inspection, including formal annual reviews by both a
772 private auditor conducted pursuant to subdivision (2) of subsection (f)
773 of this section and the Comptroller, and providing details to the public
774 on the Internet, provided public disclosure shall be restricted for
775 patentable ideas, trade secrets, proprietary or confidential commercial
776 or financial information, disclosure of which may cause commercial
777 harm to a nongovernmental recipient of such financing support and
778 for other information exempt from public records disclosure pursuant
779 to section 1-210.

780 (3) No director, officer, employee or agent of the authority, while
781 acting within the scope of his or her authority, shall be subject to any
782 personal liability resulting from exercising or carrying out any of the
783 authority's purposes or powers.

784 (e) The powers of the Connecticut Clean Energy [Finance and
785 Investment] Authority shall be vested in and exercised by a board of
786 directors, which shall consist of eleven voting and two nonvoting
787 members each with knowledge and expertise in matters related to the
788 purpose and activities of the authority appointed as follows: The

789 Treasurer or the Treasurer's designee, the Commissioner of Energy
790 and Environmental Protection or the commissioner's designee and the
791 Commissioner of Economic and Community Development or the
792 commissioner's designee, each serving ex officio, one member who
793 shall represent a residential or low-income group appointed by the
794 speaker of the House of Representatives for a term of four years, one
795 member who shall have experience in investment fund management
796 appointed by the minority leader of the House of Representatives for a
797 term of three years, one member who shall represent an environmental
798 organization appointed by the president pro tempore of the Senate for
799 a term of four years, and one member who shall have experience in the
800 finance or deployment of renewable energy appointed by the minority
801 leader of the Senate for a term of four years. Thereafter, such members
802 of the General Assembly shall appoint members of the board to
803 succeed such appointees whose terms expire and each member so
804 appointed shall hold office for a period of four years from the first day
805 of July in the year of his or her appointment. The Governor shall
806 appoint four members to the board as follows: Two for two years who
807 shall have experience in the finance of renewable energy; one for four
808 years who shall be a representative of a labor organization; and one
809 who shall have experience in research and development or
810 manufacturing of clean energy. Thereafter, the Governor shall appoint
811 members of the board to succeed such appointees whose terms expire
812 and each member so appointed shall hold office for a period of four
813 years from the first day of July in the year of his or her appointment.
814 The president of the authority and a member of the board of
815 Connecticut Innovations, Incorporated, appointed by the chairperson
816 of the corporation shall serve on the board in an ex-officio, nonvoting
817 capacity. The Governor shall appoint the chairperson of the board. The
818 board shall elect from its members a vice chairperson and such other
819 officers as it deems necessary and shall adopt such bylaws and
820 procedures it deems necessary to carry out its functions. The board
821 may establish committees and subcommittees as necessary to conduct
822 its business.

823 (f) (1) The board shall issue annually a report to the Department of

824 Energy and Environmental Protection reviewing the activities of the
825 Connecticut Clean Energy [Finance and Investment] Authority in
826 detail and shall provide a copy of such report, in accordance with the
827 provisions of section 11-4a, to the joint standing committees of the
828 General Assembly having cognizance of matters relating to energy and
829 commerce. The report shall include a description of the programs and
830 activities undertaken during the reporting period jointly or in
831 collaboration with the Energy Conservation and Load Management
832 Funds established pursuant to section 16-245m, as amended by this
833 act.

834 (2) The Clean Energy Fund shall be audited annually. Such audits
835 shall be conducted with generally accepted auditing standards by
836 independent certified public accountants certified by the State Board of
837 Accountancy. Such accountants may be the accountants for the
838 [corporation] authority.

839 (3) Any entity that receives financing for a clean energy project from
840 the fund shall provide the board an annual statement, certified as
841 correct by the chief financial officer of the recipient of such financing,
842 setting forth all sources and uses of funds in such detail as may be
843 required by the authority of such project. The authority shall maintain
844 any such audits for not less than five years. Residential projects for
845 buildings with one to four dwelling units are exempt from this and
846 any other annual auditing requirements, except that residential
847 projects may be required to grant their utility companies' permission to
848 release their usage data to the authority.

849 (g) There shall be a joint committee of the Energy Conservation
850 Management Board and the Connecticut Clean Energy [Finance and
851 Investment] Authority board of directors, as provided in subdivision
852 (2) of subsection (d) of section 16-245m, as amended by this act.

853 Sec. 6. Subsection (l) of section 1-79 of the general statutes is
854 repealed and the following is substituted in lieu thereof (*Effective from*
855 *passage*):

856 (l) "Quasi-public agency" means the Connecticut Development
857 Authority, Connecticut Innovations, Incorporated, Connecticut Health
858 and Education Facilities Authority, Connecticut Higher Education
859 Supplemental Loan Authority, Connecticut Housing Finance
860 Authority, Connecticut Housing Authority, Connecticut Resources
861 Recovery Authority, Lower Fairfield County Convention Center
862 Authority, Capital City Economic Development Authority,
863 Connecticut Lottery Corporation, Connecticut Airport Authority,
864 Health Information Technology Exchange of Connecticut, [and]
865 Connecticut Health Insurance Exchange and Connecticut Clean Energy
866 Authority.

867 Sec. 7. Subdivision (1) of section 1-120 of the general statutes is
868 repealed and the following is substituted in lieu thereof (*Effective from*
869 *passage*):

870 (1) "Quasi-public agency" means the Connecticut Development
871 Authority, Connecticut Innovations, Incorporated, Connecticut Health
872 and Educational Facilities Authority, Connecticut Higher Education
873 Supplemental Loan Authority, Connecticut Housing Finance
874 Authority, Connecticut Housing Authority, Connecticut Resources
875 Recovery Authority, Capital City Economic Development Authority,
876 Connecticut Lottery Corporation, Connecticut Airport Authority,
877 Health Information Technology Exchange of Connecticut, [and]
878 Connecticut Health Insurance Exchange and Connecticut Clean Energy
879 Authority.

880 Sec. 8. Section 1-124 of the general statutes is repealed and the
881 following is substituted in lieu thereof (*Effective from passage*):

882 (a) The Connecticut Development Authority, the Connecticut
883 Health and Educational Facilities Authority, the Connecticut Higher
884 Education Supplemental Loan Authority, the Connecticut Housing
885 Finance Authority, the Connecticut Housing Authority, the
886 Connecticut Resources Recovery Authority, the Health Information
887 Technology Exchange of Connecticut, the Connecticut Airport
888 Authority, the Capital City Economic Development Authority, [and]

889 the Connecticut Health Insurance Exchange and the Connecticut Clean
890 Energy Authority shall not borrow any money or issue any bonds or
891 notes which are guaranteed by the state of Connecticut or for which
892 there is a capital reserve fund of any kind which is in any way
893 contributed to or guaranteed by the state of Connecticut until and
894 unless such borrowing or issuance is approved by the State Treasurer
895 or the Deputy State Treasurer appointed pursuant to section 3-12. The
896 approval of the State Treasurer or said deputy shall be based on
897 documentation provided by the authority that it has sufficient
898 revenues to (1) pay the principal of and interest on the bonds and notes
899 issued, (2) establish, increase and maintain any reserves deemed by the
900 authority to be advisable to secure the payment of the principal of and
901 interest on such bonds and notes, (3) pay the cost of maintaining,
902 servicing and properly insuring the purpose for which the proceeds of
903 the bonds and notes have been issued, if applicable, and (4) pay such
904 other costs as may be required.

905 (b) To the extent the Connecticut Development Authority,
906 Connecticut Innovations, Incorporated, Connecticut Higher Education
907 Supplemental Loan Authority, Connecticut Housing Finance
908 Authority, Connecticut Housing Authority, Connecticut Resources
909 Recovery Authority, Connecticut Health and Educational Facilities
910 Authority, the Health Information Technology Exchange of
911 Connecticut, the Connecticut Airport Authority, the Capital City
912 Economic Development Authority, [or] the Connecticut Health
913 Insurance Exchange or the Connecticut Clean Energy Authority is
914 permitted by statute and determines to exercise any power to
915 moderate interest rate fluctuations or enter into any investment or
916 program of investment or contract respecting interest rates, currency,
917 cash flow or other similar agreement, including, but not limited to,
918 interest rate or currency swap agreements, the effect of which is to
919 subject a capital reserve fund which is in any way contributed to or
920 guaranteed by the state of Connecticut, to potential liability, such
921 determination shall not be effective until and unless the State
922 Treasurer or his or her deputy appointed pursuant to section 3-12 has
923 approved such agreement or agreements. The approval of the State

924 Treasurer or his or her deputy shall be based on documentation
925 provided by the authority that it has sufficient revenues to meet the
926 financial obligations associated with the agreement or agreements.

927 Sec. 9. Section 1-125 of the general statutes is repealed and the
928 following is substituted in lieu thereof (*Effective from passage*):

929 The directors, officers and employees of the Connecticut
930 Development Authority, Connecticut Innovations, Incorporated,
931 Connecticut Higher Education Supplemental Loan Authority,
932 Connecticut Housing Finance Authority, Connecticut Housing
933 Authority, Connecticut Resources Recovery Authority, including ad
934 hoc members of the Connecticut Resources Recovery Authority,
935 Connecticut Health and Educational Facilities Authority, Capital City
936 Economic Development Authority, the Health Information Technology
937 Exchange of Connecticut, Connecticut Airport Authority, Connecticut
938 Lottery Corporation, [and] Connecticut Health Insurance Exchange
939 and the Connecticut Clean Energy Authority and any person executing
940 the bonds or notes of the agency shall not be liable personally on such
941 bonds or notes or be subject to any personal liability or accountability
942 by reason of the issuance thereof, nor shall any director or employee of
943 the agency, including ad hoc members of the Connecticut Resources
944 Recovery Authority, be personally liable for damage or injury, not
945 wanton, reckless, wilful or malicious, caused in the performance of his
946 or her duties and within the scope of his or her employment or
947 appointment as such director, officer or employee, including ad hoc
948 members of the Connecticut Resources Recovery Authority. The
949 agency shall protect, save harmless and indemnify its directors,
950 officers or employees, including ad hoc members of the Connecticut
951 Resources Recovery Authority, from financial loss and expense,
952 including legal fees and costs, if any, arising out of any claim, demand,
953 suit or judgment by reason of alleged negligence or alleged
954 deprivation of any person's civil rights or any other act or omission
955 resulting in damage or injury, if the director, officer or employee,
956 including ad hoc members of the Connecticut Resources Recovery
957 Authority, is found to have been acting in the discharge of his or her

958 duties or within the scope of his or her employment and such act or
959 omission is found not to have been wanton, reckless, wilful or
960 malicious.

961 Sec. 10. Section 7-233z of the 2012 supplement to the general statutes
962 is repealed and the following is substituted in lieu thereof (*Effective*
963 *from passage*):

964 (a) A municipal electric energy cooperative, created pursuant to this
965 chapter, shall submit a comprehensive report on the activities of the
966 municipal electric utilities with regard to promotion of renewable
967 energy resources. Such report shall identify the standards and
968 activities of municipal electric utilities in the promotion,
969 encouragement and expansion of the deployment and use of
970 renewable energy sources within the service areas of the municipal
971 electric utilities for the prior calendar year. The cooperative shall
972 submit the report to the Connecticut Clean Energy [Finance and
973 Investment] Authority not later than ninety days after the end of each
974 calendar year that describes the activities undertaken pursuant to this
975 subsection during the previous calendar year for the promotion and
976 development of renewable energy sources for all electric customer
977 classes.

978 (b) Such cooperative shall develop standards for the promotion of
979 renewable resources that apply to each municipal electric utility. On or
980 before January 1, 2008, and annually thereafter, such cooperative shall
981 submit such standards to the Connecticut Clean Energy [Finance and
982 Investment] Authority.

983 Sec. 11. Subdivision (2) of subsection (j) of section 16-244c of the
984 2012 supplement to the general statutes is repealed and the following
985 is substituted in lieu thereof (*Effective from passage*):

986 (2) Notwithstanding the provisions of subsection (d) of this section
987 regarding an alternative transitional standard offer option or an
988 alternative standard service option, an electric distribution company
989 providing transitional standard offer service, standard service,

990 supplier of last resort service or back-up electric generation service in
991 accordance with this section shall, not later than July 1, 2008, file with
992 the Public Utilities Regulatory Authority for its approval one or more
993 long-term power purchase contracts from Class I renewable energy
994 source projects with a preference for projects located in Connecticut
995 that receive funding from the Clean Energy Fund and that are not less
996 than one megawatt in size, at a price that is either, at the determination
997 of the project owner, (A) not more than the total of the comparable
998 wholesale market price for generation plus five and one-half cents per
999 kilowatt hour, or (B) fifty per cent of the wholesale market electricity
1000 cost at the point at which transmission lines intersect with each other
1001 or interface with the distribution system, plus the project cost of fuel
1002 indexed to natural gas futures contracts on the New York Mercantile
1003 Exchange at the natural gas pipeline interchange located in Vermillion
1004 Parish, Louisiana that serves as the delivery point for such futures
1005 contracts, plus the fuel delivery charge for transporting fuel to the
1006 project, plus five and one-half cents per kilowatt hour. In its approval
1007 of such contracts, the authority shall give preference to purchase
1008 contracts from those projects that would provide a financial benefit to
1009 ratepayers and would enhance the reliability of the electric
1010 transmission system of the state. Such projects shall be located in this
1011 state. The owner of a fuel cell project principally manufactured in this
1012 state shall be allocated all available air emissions credits and tax credits
1013 attributable to the project and no less than fifty per cent of the energy
1014 credits in the Class I renewable energy credits program established in
1015 section 16-245a attributable to the project. On and after October 1, 2007,
1016 and until September 30, 2008, such contracts shall be comprised of not
1017 less than a total, apportioned among each electric distribution
1018 company, of one hundred twenty-five megawatts; and on and after
1019 October 1, 2008, such contracts shall be comprised of not less than a
1020 total, apportioned among each electrical distribution company, of one
1021 hundred fifty megawatts. The Public Utilities Regulatory Authority
1022 shall not issue any order that results in the extension of any in-service
1023 date or contractual arrangement made as a part of Project 100 or
1024 Project 150 beyond the termination date previously approved by the

1025 authority established by the contract, provided any party to such
1026 contract may provide a notice of termination in accordance with the
1027 terms of, and to the extent permitted under, its contract. The cost of
1028 such contracts and the administrative costs for the procurement of
1029 such contracts directly incurred shall be eligible for inclusion in the
1030 adjustment to the transitional standard offer as provided in this section
1031 and any subsequent rates for standard service, provided such contracts
1032 are for a period of time sufficient to provide financing for such
1033 projects, but not less than ten years, and are for projects which began
1034 operation on or after July 1, 2003. Except as provided in this
1035 subdivision, the amount from Class I renewable energy sources
1036 contracted under such contracts shall be applied to reduce the
1037 applicable Class I renewable energy source portfolio standards. For
1038 purposes of this subdivision, the department's determination of the
1039 comparable wholesale market price for generation shall be based upon
1040 a reasonable estimate. On or before September 1, 2011, the authority, in
1041 consultation with the Office of Consumer Counsel and the Connecticut
1042 Clean Energy [Finance and Investment] Authority, shall study the
1043 operation of such renewable energy contracts and report its findings
1044 and recommendations to the joint standing committee of the General
1045 Assembly having cognizance of matters relating to energy.

1046 Sec. 12. Subdivisions (2) and (3) of subsection (d) of section 16-245m
1047 of the 2012 supplement to the general statutes are repealed and the
1048 following is substituted in lieu thereof (*Effective from passage*):

1049 (2) There shall be a joint committee of the Energy Conservation
1050 Management Board and the board of directors of the Connecticut
1051 Clean Energy [Finance and Investment] Authority. The board and the
1052 advisory committee shall each appoint members to such joint
1053 committee. The joint committee shall examine opportunities to
1054 coordinate the programs and activities funded by the Clean Energy
1055 Fund pursuant to section 16-245n, as amended by this act, with the
1056 programs and activities contained in the plan developed under this
1057 subsection to reduce the long-term cost, environmental impacts and
1058 security risks of energy in the state. Such joint committee shall hold its

1059 first meeting on or before August 1, 2005.

1060 (3) Programs included in the plan developed under subdivision (1)
1061 of this subsection shall be screened through cost-effectiveness testing
1062 that compares the value and payback period of program benefits to
1063 program costs to ensure that programs are designed to obtain energy
1064 savings and system benefits, including mitigation of federally
1065 mandated congestion charges, whose value is greater than the costs of
1066 the programs. Program cost-effectiveness shall be reviewed annually,
1067 or otherwise as is practicable, and shall incorporate the results of the
1068 evaluation process set forth in subdivision (4) of this subsection. If a
1069 program is determined to fail the cost-effectiveness test as part of the
1070 review process, it shall either be modified to meet the test or shall be
1071 terminated. On or before March 1, 2005, and on or before March first
1072 annually thereafter, the board shall provide a report, in accordance
1073 with the provisions of section 11-4a, to the joint standing committees of
1074 the General Assembly having cognizance of matters relating to energy
1075 and the environment that documents (A) expenditures and fund
1076 balances and evaluates the cost-effectiveness of such programs
1077 conducted in the preceding year, and (B) the extent to and manner in
1078 which the programs of such board collaborated and cooperated with
1079 programs, established under section 7-233y, of municipal electric
1080 energy cooperatives. To maximize the reduction of federally mandated
1081 congestion charges, programs in the plan may allow for
1082 disproportionate allocations between the amount of contributions to
1083 the Energy Conservation and Load Management Funds by a certain
1084 rate class and the programs that benefit such a rate class. Before
1085 conducting such evaluation, the board shall consult with the board of
1086 directors of the Connecticut Clean Energy [Finance and Investment]
1087 Authority. The report shall include a description of the activities
1088 undertaken during the reporting period jointly or in collaboration with
1089 the Clean Energy Fund established pursuant to subsection (c) of
1090 section 16-245n, as amended by this act.

1091 Sec. 13. Subsection (f) of section 16-245m of the 2012 supplement to
1092 the general statutes is repealed and the following is substituted in lieu

1093 thereof (*Effective from passage*):

1094 (f) No later than December 31, 2006, and no later than December
1095 thirty-first every five years thereafter, the Energy Conservation
1096 Management Board shall, after consulting with the Connecticut Clean
1097 Energy [Finance and Investment] Authority, conduct an evaluation of
1098 the performance of the programs and activities of the fund and submit
1099 a report, in accordance with the provisions of section 11-4a, of the
1100 evaluation to the joint standing committee of the General Assembly
1101 having cognizance of matters relating to energy.

1102 Sec. 14. Section 16-245ee of the 2012 supplement to the general
1103 statutes is repealed and the following is substituted in lieu thereof
1104 (*Effective from passage*):

1105 Before approving any plan for energy conservation and load
1106 management and renewable energy projects issued to it by the Energy
1107 Conservation and Management Board, the board of directors of the
1108 Connecticut Clean Energy [Finance and Investment] Authority or an
1109 electric distribution company, the Department of Energy and
1110 Environmental Protection shall determine that an equitable amount of
1111 the funds administered by each such board are to be deployed among
1112 small and large customers with a maximum average monthly peak
1113 demand of one hundred kilowatts in census tracts in which the median
1114 income is not more than sixty per cent of the state median income. The
1115 department shall determine such equitable share and such projects
1116 may include a mentoring component for such communities. On and
1117 after January 1, 2012, and annually thereafter, the department shall
1118 report, in accordance with the provisions of section 11-4a, to the joint
1119 standing committee of the General Assembly having cognizance of
1120 matters relating to energy regarding the distribution of funds to such
1121 communities.

1122 Sec. 15. Section 16-245ff of the 2012 supplement to the general
1123 statutes is repealed and the following is substituted in lieu thereof
1124 (*Effective from passage*):

1125 (a) The Connecticut Clean Energy [Finance and Investment]
1126 Authority established pursuant to section 16-245n, as amended by this
1127 act, shall structure and implement a residential solar investment
1128 program established pursuant to this section, which shall result in a
1129 minimum of thirty megawatts of new residential solar photovoltaic
1130 installations located in this state on or before December 31, 2022, the
1131 annual procurement of which shall be determined by the authority and
1132 the cost of which shall not exceed one-third of the total surcharge
1133 collected annually pursuant to said section 16-245n, as amended by
1134 this act.

1135 (b) The Connecticut Clean Energy [Finance and Investment]
1136 Authority shall offer direct financial incentives, in the form of
1137 performance-based incentives or expected performance-based
1138 buydowns, for the purchase or lease of qualifying residential solar
1139 photovoltaic systems. For the purposes of this section, "performance-
1140 based incentives" means incentives paid out on a per kilowatt-hour
1141 basis, and "expected performance-based buydowns" means incentives
1142 paid out as a one-time upfront incentive based on expected system
1143 performance. The authority shall consider willingness to pay studies
1144 and verified solar photovoltaic system characteristics, such as
1145 operational efficiency, size, location, shading and orientation, when
1146 determining the type and amount of incentive. Notwithstanding the
1147 provisions of subdivision (1) of subsection (j) of section 16-244c, the
1148 amount of renewable energy produced from Class I renewable energy
1149 sources receiving tariff payments or included in utility rates under this
1150 section shall be applied to reduce the electric distribution company's
1151 Class I renewable energy source portfolio standard. Customers who
1152 receive expected performance-based buydowns under this section
1153 shall not be eligible for a credit pursuant to section 16-243b.

1154 (c) Beginning with the comprehensive plan covering the period
1155 from July 1, 2011, to June 30, 2013, the Connecticut Clean Energy
1156 [Finance and Investment] Authority shall develop and publish in each
1157 such plan a proposed schedule for the offering of performance-based
1158 incentives or expected performance-based buydowns over the

1159 duration of any such solar incentive program. Such schedule shall: (1)
1160 Provide for a series of solar capacity blocks the combined total of
1161 which shall be a minimum of thirty megawatts and projected incentive
1162 levels for each such block; (2) provide incentives that are sufficient to
1163 meet reasonable payback expectations of the residential consumer,
1164 taking into consideration the estimated cost of residential solar
1165 installations, the value of the energy offset by the system and the
1166 availability and estimated value of other incentives, including, but not
1167 limited to, federal and state tax incentives and revenues from the sale
1168 of solar renewable energy credits; (3) provide incentives that decline
1169 over time and will foster the sustained, orderly development of a state-
1170 based solar industry; (4) automatically adjust to the next block once the
1171 board has issued reservations for financial incentives provided
1172 pursuant to this section from the board fully committing the target
1173 solar capacity and available incentives in that block; and (5) provide
1174 comparable economic incentives for the purchase or lease of qualifying
1175 residential solar photovoltaic systems. The authority may retain the
1176 services of a third-party entity with expertise in the area of solar
1177 energy program design to assist in the development of the incentive
1178 schedule or schedules. The Department of Energy and Environmental
1179 Protection shall review and approve such schedule. Nothing in this
1180 subsection shall restrict the authority from modifying the approved
1181 incentive schedule before the issuance of its next comprehensive plan
1182 to account for changes in federal or state law or regulation or
1183 developments in the solar market when such changes would affect the
1184 expected return on investment for a typical residential solar
1185 photovoltaic system by twenty per cent or more.

1186 (d) The Connecticut Clean Energy [Finance and Investment]
1187 Authority shall establish and periodically update program guidelines,
1188 including, but not limited to, requirements for systems and program
1189 participants related to: (1) Eligibility criteria; (2) standards for
1190 deployment of energy efficient equipment or building practices as a
1191 condition for receiving incentive funding; (3) procedures to provide
1192 reasonable assurance that such reservations are made and incentives
1193 are paid out only to qualifying residential solar photovoltaic systems

1194 demonstrating a high likelihood of being installed and operated as
1195 indicated in application materials; and (4) reasonable protocols for the
1196 measurement and verification of energy production.

1197 (e) The Connecticut Clean Energy [Finance and Investment]
1198 Authority shall maintain on its web site the schedule of incentives,
1199 solar capacity remaining in the current block and available funding
1200 and incentive estimators.

1201 (f) Funding for the residential performance-based incentive
1202 program and expected performance-based buydowns shall be
1203 apportioned from the moneys collected under the surcharge specified
1204 in section 16-245n, as amended by this act, provided such
1205 apportionment shall not exceed one-third of the total surcharge
1206 collected annually, and supplemented by federal funding as may
1207 become available.

1208 (g) The Connecticut Clean Energy [Finance and Investment]
1209 Authority shall identify barriers to the development of a permanent
1210 Connecticut-based solar workforce and shall make provision for
1211 comprehensive training, accreditation and certification programs
1212 through institutions and individuals accredited and certified to
1213 national standards.

1214 (h) On or before January 1, 2014, and every two years thereafter for
1215 the duration of the program, the Connecticut Clean Energy [Finance
1216 and Investment] Authority shall report to the joint standing committee
1217 of the General Assembly having cognizance of matters relating to
1218 energy on progress toward the goals identified in subsection (a) of this
1219 section.

1220 Sec. 16. Section 16-245hh of the 2012 supplement to the general
1221 statutes is repealed and the following is substituted in lieu thereof
1222 (*Effective from passage*):

1223 The Connecticut Clean Energy [Finance and Investment] Authority
1224 created pursuant to section 16-245n, as amended by this act, in

1225 consultation with the Department of Energy and Environmental
1226 Protection, shall establish a program to be known as the
1227 "condominium renewable energy grant program". Under such
1228 program, the board shall provide grants to residential condominium
1229 associations and residential condominium owners, within available
1230 funds, for purchasing clean energy sources, including solar energy,
1231 geothermal energy and fuel cells or other energy-efficient hydrogen-
1232 fueled energy.

1233 Sec. 17. Subsection (b) of section 16a-40d of the 2012 supplement to
1234 the general statutes is repealed and the following is substituted in lieu
1235 thereof (*Effective from passage*):

1236 (b) As of July 1, 2010, proceeds of the sale of said bonds which have
1237 been authorized as provided in subsection (a) of this section, but have
1238 not been allocated by the State Bond Commission, and the additional
1239 amount of five million dollars authorized by this section on July 1,
1240 2010, shall be deposited in the Green Connecticut Loan Guaranty Fund
1241 established pursuant to section 16a-40e, as amended by this act, and
1242 shall be used by the Connecticut Clean Energy [Finance and
1243 Investment] Authority for purposes of the Green Connecticut Loan
1244 Guaranty Fund program established pursuant to section 16a-40f, as
1245 amended by this act, provided not more than eighteen million dollars
1246 shall be deposited in the Green Connecticut Loan Guaranty Fund. Such
1247 additional amounts may be deposited in the Green Connecticut Loan
1248 Guaranty Fund as the State Bond Commission may, from time to time,
1249 authorize.

1250 Sec. 18. Section 16a-40e of the 2012 supplement to the general
1251 statutes is repealed and the following is substituted in lieu thereof
1252 (*Effective from passage*):

1253 The Connecticut Clean Energy [Finance and Investment] Authority
1254 shall establish a "Green Connecticut Loan Guaranty Fund". Such fund
1255 shall be used for the purposes of guaranteeing loans authorized under
1256 section 16a-40f, as amended by this act, and may be used for expenses
1257 incurred by said authority in the implementation of the program under

1258 said section.

1259 Sec. 19. Subsection (a) of section 16a-40f of the 2012 supplement to
1260 the general statutes is repealed and the following is substituted in lieu
1261 thereof (*Effective from passage*):

1262 (a) For the purposes of this section:

1263 (1) "Participating qualified nonprofit organizations" means
1264 individuals, nonprofit organizations and small businesses;

1265 (2) "Small business" means a business entity employing not more
1266 than fifty full-time employees;

1267 (3) "Eligible energy conservation project" means an energy
1268 conservation project meeting the criteria identified, as provided in
1269 subsection (d) of this section;

1270 (4) "Participating lending institution" means any bank, trust
1271 company, savings bank, savings and loan association or credit union,
1272 whether chartered by the United States of America or this state, or any
1273 insurance company authorized to do business in this state that
1274 participates in the Green Connecticut Loan Guaranty Fund program;
1275 and

1276 (5) "Authority" means the Connecticut Clean Energy [Finance and
1277 Investment] Authority.

1278 Sec. 20. Subsection (d) of section 16a-40f of the 2012 supplement to
1279 the general statutes is repealed and the following is substituted in lieu
1280 thereof (*Effective from passage*):

1281 (d) In consultation with the Energy Conservation Management
1282 Board and the Connecticut Health and Educational Facilities
1283 Authority, the Connecticut Clean Energy [Finance and Investment]
1284 Authority shall identify types of projects that qualify as eligible energy
1285 conservation projects, including, but not limited to, the purchase and
1286 installation of insulation, alternative energy devices, energy

1287 conservation materials, replacement furnaces and boilers, and
 1288 technologically advanced energy-conserving equipment. The
 1289 authority, in consultation with said entities, shall establish priorities
 1290 for financing eligible energy conservation projects based on need and
 1291 quality determinants. The authority shall adopt procedures, in
 1292 accordance with the provisions of section 1-121, to implement the
 1293 provisions of this section.

1294 Sec. 21. Subsection (c) of section 16a-40l of the 2012 supplement to
 1295 the general statutes is repealed and the following is substituted in lieu
 1296 thereof (*Effective from passage*):

1297 (c) "Eligible entity" means (1) any residential, commercial,
 1298 institutional or industrial customer of an electric distribution company
 1299 or natural gas company, as defined in section 16-1, who employs or
 1300 installs an eligible in-state energy savings technology, (2) an energy
 1301 service company certified as a Connecticut electric efficiency partner
 1302 by the Department of Energy and Environmental Protection, or (3) an
 1303 installer certified by the Connecticut Clean Energy [Finance and
 1304 Investment] Authority.

1305 Sec. 22. (*Effective from passage*) Wherever the term "Clean Energy
 1306 Finance and Investment Authority" is used or referred to in any public
 1307 or special act of 2012, or in any section of the general statutes which is
 1308 amended in 2012, "Connecticut Clean Energy Authority" shall be
 1309 substituted in lieu thereof. The Legislative Commissioners' Office shall,
 1310 in codifying the provisions of this section, make such conforming,
 1311 technical, grammatical and punctuation changes as are necessary to
 1312 carry out the purposes of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2012	New section
Sec. 2	July 1, 2012	New section
Sec. 3	July 1, 2012	New section
Sec. 4	July 1, 2012	32-141(a)(2)
Sec. 5	July 1, 2012	16-245n

Sec. 6	<i>from passage</i>	1-79(l)
Sec. 7	<i>from passage</i>	1-120(1)
Sec. 8	<i>from passage</i>	1-124
Sec. 9	<i>from passage</i>	1-125
Sec. 10	<i>from passage</i>	7-233z
Sec. 11	<i>from passage</i>	16-244c(j)(2)
Sec. 12	<i>from passage</i>	16-245m(d)(2) and (3)
Sec. 13	<i>from passage</i>	16-245m(f)
Sec. 14	<i>from passage</i>	16-245ee
Sec. 15	<i>from passage</i>	16-245ff
Sec. 16	<i>from passage</i>	16-245hh
Sec. 17	<i>from passage</i>	16a-40d(b)
Sec. 18	<i>from passage</i>	16a-40e
Sec. 19	<i>from passage</i>	16a-40f(a)
Sec. 20	<i>from passage</i>	16a-40f(d)
Sec. 21	<i>from passage</i>	16a-40l(c)
Sec. 22	<i>from passage</i>	New section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect
Clean Energy Finance and Investment Authority	GF - See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill renames the Clean Energy Finance and Investment Authority to the Connecticut Clean Energy Authority (CCEA) and allows it to issue revenue bonds. This will not result in a state or municipal liability for the bonds because the language specifies that the debt is not the responsibility of the State of Connecticut or any municipality.

The bill also permits CCEA to issue up to \$100 million in bonds backed by a special capital reserve fund (SCRF) account. If the CCEA was unable to maintain the SCRF at its minimum capital reserve level, the bill requires that the SCRF be refilled from General Fund resources. This would result in: (1) a negative impact on General Fund cash flow and (2) a loss of short-term interest on the amount transferred to the SCRF. The SCRF level for \$100 million is the lesser of: (1) one year's principal and interest on the bonds or (2) ten percent of the issue (\$10 million).

The table below shows the amount of outstanding debt backed by SCRF accounts as of February 1, 2011. The minimum capital reserve is: (1) the amount that must be maintained in the SCRF and (2) the maximum annual General Fund liability for the SCRF if no funds were available from the issuing authority to pay debt service.

SCRF bonds are a contingent liability of the state, which do not count against the state's statutory limit on General Obligation (GO) bonds in CGS Sec. 3-21¹.

Amount of Debt Backed by Special Capital Reserve Funds and Minimum Capital Reserve Requirements as of February 1, 2011 (\$-millions)		
Issuing Authority	Outstanding SCRF-backed Debt	Minimum Capital Reserve Required for SCRF
Connecticut Development Authority (CDA)	4.6	1.5
Connecticut Health and Educational Facilities Authority (CHEFA)	265.3	28.4
Connecticut Higher Education Supplemental Loan Authority (CHESLA)	189.2	19.4
Connecticut Housing Finance Authority (CHFA)	3795.5	286.2
Connecticut Resource Recovery Authority (CRRA)	35.8	10.9
City of Waterbury Special Capital Reserve Fund	35.3	6.8

The bill allows CCEA to qualify for an allocation of private activity bonds, which has no state fiscal impact because these bonds are not a financial obligation of the state.

The bill expands the state treasurer's procedures for approval of bonds backed by SCRFs to apply to bonds issued by CCEA. This provision is conforming and has no fiscal impact.

Lastly, the bill makes conforming changes to the laws governing quasi-public agencies. These provisions have no fiscal impact.

Background

¹ CGS Sec. 3-21 imposes a ceiling on the amount of General Fund-supported debt that the Legislature may authorize that is equal to 1.6 times net General Fund tax receipts projected by the Finance, Revenue and Bonding Committee for the fiscal year in which the bonds are authorized.

The state permits quasi-public authorities to issue SCRF-backed bonds because the SCRF provides a higher level of repayment security, which results in a lower rate of interest on the bond issuance.

A SCRF is a debt service reserve fund that is set up at the time the bonds are issued, in an amount equal to the lesser of either one year's principal and interest on the bonds or ten percent of the issue. If the borrower makes the scheduled debt service payments, the interest earnings on the reserve fund will pay the interest on the bonds that created it and the principal will go to retire the final maturity of the bond issue. If the borrower is unable to pay all or part of the scheduled debt service payments, the reserve may be drawn upon to pay debt service. The reserve provides up to a year's adjustment time to deal with a revenue shortfall. When the SCRF has been drawn down in part or completely, a draw on the General Fund is authorized and the reserve is fully restored. The draw on the General Fund is deemed to be appropriated and is not subject to the constitutional or statutory appropriations cap. All that is required is a certification by the issuing authority of the amount required. If draws on a SCRF continue, the annual draws on the General Fund required to refill it also continue.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 413*****AN ACT CONCERNING BONDING AUTHORITY FOR THE CONNECTICUT CLEAN ENERGY AUTHORITY.*****SUMMARY:**

This bill renames the Clean Energy Finance and Investment Authority (CEFIA) the Connecticut Clean Energy Authority (CCEA) and makes CCEA a quasi-public agency. It makes CCEA the successor to CEFIA and Connecticut Innovations, Inc. (CII) for purposes of administering the Clean Energy Fund.

The bill also authorizes CCEA to issue:

1. taxable or tax-exempt revenue bonds with terms of up to 30 years, including bonds backed in whole or part by the Clean Energy Fund and a renewable energy surcharge on electric bills;
2. up to \$100 million in bonds backed by one or more special capital reserve funds (SCRFs) for which the state has contingent liability; and
3. tax-exempt bonds subject to the federal private activity bond cap.

Finally, the bill makes conforming changes to laws governing quasi-public agencies. These changes also conform to provisions in PA 11-80 that designated CEFIA a quasi-public agency.

EFFECTIVE DATE: Upon passage, except for the bonding provisions and provisions making CCEA CEFIA's successor, which are effective July 1, 2012.

§§ 5-22 — CONNECTICUT CLEAN ENERGY AUTHORITY

CCEA as a Quasi-Public Agency (§§ 6-9)

Like CEFIA, the bill makes CCEA a quasi-public agency. It establishes CCEA as a state political subdivision created to perform an essential public and governmental function and states that CCEA cannot be construed as a state agency, institution, or department. Like CEFIA, CCEA is within Connecticut Innovations, Inc. (CII) for administrative purposes only.

The bill extends to CCEA existing statutory requirements that, like other such agencies, it have the state treasurer's or deputy treasurer's approval for (1) any borrowing or bonds secured by state-backed or -guaranteed capital reserve funds and (2) any investment or contract relating to interest rates, currency, or cash flow that subjects a state-backed capital reserve fund to potential liability.

It also includes CCEA's directors and staff in the exemption from personal liability for quasi-public agency directors and staff for actions taken in issuing bonds, so long as the actions are not wanton, reckless, willful, or malicious.

CCEA as Successor to CEFIA (§§ 5 & 10-22)

The bill:

1. makes CCEA the CEFIA's successor for the purposes of administering the Clean Energy Fund;
2. gives it all CEFIA's and CII's privileges, immunities, and tax and other exemptions with respect to the fund; and
3. authorizes it to provide financial assistance, including grants, loans, loan guarantees, and debt or equity investments.

The bill gives CCEA the same authority as CEFIA to contract with private sources to raise capital. It requires the authority board to set only the average rate of return for debt rather than for both debt and equity as CEFIA's board must. It allows CCEA to use its own, rather than CII's, accountants to audit the Clean Energy Fund.

The bill makes many changes to conform to the authority's change of name and allows the Legislative Commissioner's Office, when codifying the changes, to make any other necessary technical changes in the statutes to implement it.

§§ 1-4 — CCEA BONDING AUTHORITY

Revenue and Clean Energy Bonds (§§ 1 & 2)

The bill allows the CCEA to issue revenue bonds with terms of up to 30 years. The authority may use the bond proceeds for any of its corporate purposes, which, by law, include promoting renewable energy and financing energy efficiency projects.

The bill allows the authority to issue:

1. bonds backed by CCEA's own revenue or revenue from the Clean Energy Fund, including revenue from the renewable energy charge on electric bills;
2. bonds backed by the full faith and credit of any public or private body or by fees, rents, or charges from any CCEA project or contract; and
3. federally taxable bonds, if the authority finds it to be in the public interest and will further its purposes and powers.

Under the bill, the state pledges not to alter the renewable energy charge until bonds backed by the charge are either paid off or the authority makes adequate provisions to protect the bondholders. Authority bonds are not state or municipal obligations and must say so on their face. They do not count towards the state's bond cap.

The bill allows the authority to determine how it will issue and repay the bonds and specifies the terms and conditions it may include in its agreements with bondholders. It allows the authority's board to delegate decisions regarding bond sales to its chairperson, vice-chairperson, a board subcommittee, or other authority officers.

The bill makes CCEA bonds securities in which governments and

private entities may invest and allows the authority to buy, hold, pledge, cancel, or resell its own bonds and notes. The authority may sell bonds (1) at a public sale on sealed proposals at a price and time it chooses or (2) by negotiating with investors.

The bill authorizes or requires CCEA to take several actions to assure payments to its bondholders and promises that the state will not limit or alter the authority's rights until the authority repays its outstanding bonds. It allows the authority to secure that promise by entering into agreements with a trustee representing the bondholders' interests (a "trust of indenture" agreement). It requires the authority to secure principal and interest payments by pledging its revenue, which is also immediately subject to lien without any action on the bondholders' part. The bondholders' lien takes precedence over any other claims on the authority's revenue or assets.

The bill allows the authority to issue bonds to refund its outstanding bonds and specifies conditions for doing so. The authority may treat the cost and expenses of issuing bonds for a project as part of the project's operating costs.

The bill exempts principal and interest payments on CCEA bonds from all taxes except estate and succession taxes, but requires bondholders to include such payments when computing excise and franchise taxes.

Special Capital Reserve Funds (SCRFs) (§ 3)

The bill allows CCEA to establish one or more SCRFs in connection with its bonds, with the prior approval of the Office of Policy and Management (OPM) secretary and state treasurer or their deputies. It limits the aggregate amount of authority bonds that can be backed by SCRFs to \$100 million.

CCEA may use SCRF funds only for (1) paying SCRF-backed bond principal and interest as it becomes due, (2) buying the authority's bonds, and (3) paying any required redemption premium on bonds redeemed before maturity. Although bonds secured by SCRFs are not

backed by the state's full faith and credit, SCRF-backed bonds are a contingent liability of the state. If a SCRF is exhausted, the state General Fund automatically replenishes it, regardless of the state spending cap.

CCEA can specify a "required minimum capital reserve" when issuing SCRF-backed bonds. By December 1st annually, the bill automatically appropriates from the General Fund any amount needed to maintain the minimum reserve balance in the SCRF, as certified by the CCEA chairperson or vice-chairperson to the OPM secretary and state treasurer. Subject to any agreements with bondholders, CCEA must repay any amount paid to it under this provision from its resources when the money is not required for any other of CCEA's corporate purposes. In any event, the amount must be repaid within one year after all of the authority's bonds are discharged.

SCRF-backed bonds cannot be used to pay project costs unless the authority determines that the project's revenue is high enough to cover (1) principal and interest on the bonds used to finance it, (2) any advisable debt service reserves, (3) the cost of keeping the project in good repair and properly insured, and (4) any other required costs for the project.

Private Activity Bonds (§ 4)

The bill allows CCEA to issue federal tax-exempt bonds subject to the federal private activity bond cap (see BACKGROUND). Current law allocates up to 27.5% of allowable private activity bonds to municipalities, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Student Loan Foundation (CSLF), and for contingencies. The bill includes CCEA in this allocation and requires its share to come before any allocation for CSLF or contingencies.

BACKGROUND

State Capital Reserve Fund (SCRF)

A SCRF is a debt service reserve fund set up when bonds are issued. The SCRF amount equals one year's principal and interest on the

bonds or 10% of the issue, whichever is less. If an issuer is unable to pay all or part of scheduled principal and interest payments, it may draw on the SCRF to do so. When the SCRF is drawn down, money from the General Fund is automatically appropriated to restore it. Thus, a SCRF places a contingent liability on the state.

The state permits quasi-public authorities to issue SCRF-backed bonds because the SCRF provides a higher level of repayment security, which results in a lower interest rate on authority bonds.

Private Activity Bonds

Quasi-public authorities and municipalities can issue private activity bonds. Such bonds are backed by the credit of private borrowers or pools of borrowers, who pay the bond debt service. Federal law exempts private activity bonds from federal tax if they are issued for tax-exempt sewage disposal, water, solid waste disposal, or local district heating and cooling facilities; qualified nonprofit corporation projects; manufacturing projects; or as qualified redevelopment bonds for tax-exempt facilities.

Federal law limits the volume of tax-exempt private activity bonds that can be issued each year. Each state has its own cap. Originally, Connecticut's cap was \$150 million. Since 2002, the amount has increased annually with inflation.

Related Bill

sSB 415, favorably reported by the Energy and Technology Committee, includes provisions that are virtually identical to this bill.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 48 Nay 2 (04/03/2012)