

**AUDIT, COMPLIANCE, & GOVERNANCE COMMITTEE OF THE
CONNECTICUT GREEN BANK**

Draft Minutes – Special Meeting

Monday, April 24, 2017

2:30 – 3:30 PM

A special meeting of the Audit, Compliance, and Governance Committee (“Audit Committee”) of the Board of Directors of the Connecticut Green Bank (the “Green Bank”) was held on April 24, 2017 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT in the Albert Pope Board Room.

1. **Call to order:** Mr. Ranelli, Chairperson of the Audit Committee, called the meeting to order at 2:43 p.m. Audit Committee members participating: Matthew Ranelli (by phone), and John Harranty.

Staff Attending: Bryan Garcia, Brian Farnen, Eric Shrago (by phone), George Bellas, Jane Murphy, Cheryl Samuels, and Adam Canosa of Marcum LLP (by phone)

2. **Public Comments**

There were no public comments.

3. **Approve Meeting Minutes for October 21, 2016 Special Meeting***

Upon a motion made by John Harranty and seconded by, Matt Ranelli the resolution passed unanimously.

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for October 21, 2016. Second. Discussion. Vote.

4. **Audit Findings Report Out**

George Bellas and Brian Farnen provided an overview of the draft audit report to be issued by the State Auditors of Public Accounts (APA) for the Green Bank’s 2014 and 2015 fiscal years.

There were three findings, which were not material findings however staff has or will take action to strengthen internal controls in the areas the findings addressed. . The findings recommended strengthening controls over the repurposing of financial commitments by the Board within a specific project, developing a policy to issue RFPs for strategic partnerships at predetermined intervals and the timely filing of statutorily required reports.

Brian Farnen also discussed the APA’s general comments regarding the issuance of severance agreements by State agencies in their report.. He stated that he feels that

Subject to changes and deletions

the legal terms and conditions of such agreement are appropriate to mitigate risk of loss of ratepayer dollars while avenues for whistleblowers to voice concerns are still available. Bryan Garcia stated that it is not a finding, it was just noted in the Report.

John Harrity questioned if any of these findings caused penalties for the Green Bank. George Bellas stated that they did not.

Matt Ranelli commended the team for the great job they're doing.

5. CT SL2 LLC Audit Recommendation**

George Bellas discussed the status of the CT Solar Lease 2 ("CT SL2") audit and the anticipated issuance of its independent accountant, Marcum LLP ("Marcum"), audit report on the financial statements for the year ended December 31, 2016.. CT SL2 is a component unit of the Green Bank and is required to issue separate audited financial statements by its operating agreement and debt covenants under a financing agreement with its lenders. A representative of Marcum, Adam Canosa, was also present to answer any questions the Committee members had with regards to the audit. .

In addition to reviewing the status of the audit, George Bellas also reviewed the steady growth in the assets and revenues of CT SL2 over the last three years.

Matt Ranelli sought clarification as to the composition of CT SL2's asset structure and how the CT SL2 stand-alone audit is integrated into the Green Bank's annual Comprehensive Annual Financial Report ("CAFR"). George Bellas explained that CT SL2's asset base primarily consisted of Solar PV facilities leased or supporting power purchase agreements with residential and commercial customers. He also explained that the financial statements of CT SL2 will be incorporated in the Green Bank's CAFR as a discretely presented component unit. George requested the Committee recommend the Board approve the issuance of CT SL2's audited financial statements absent any material adjustments to the draft statements presented to the Committee. . Adam Canosa stated he does not anticipate any additional material adjustments to the statements as presented. He also stated that they he doesn't see any issues with meeting the end of month deadline to issue the audited financials..

Adam stated that they did have two minor adjustments that were passed on, not really material, but large enough to make management aware. He reviewed these adjustments with the Committee members.

Brian Farnen made the Committee members aware that the staff could leave the room if they wished to speak with Adam privately. The Committee members did not deem this necessary.

Upon a motion made by John Harrity, and seconded by Matt Ranelli, the Committee unanimously approved.

Resolution #2

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee

(the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board for approval the proposed draft CT Solar Lease 2 LLC audited financial statements the year ended December 31, 2016 contingent upon no further adjustments to the financial statements or additional required disclosures which would materially change the financial position of CT Solar Lease 2 LLC as presented. Second. Discussion. Vote

6. EMV (approval of environment benefit methodology) **

Eric Shrago discussed the Evaluation Framework – Environmental Impacts. He stated that the Framework was previously approved and that they've been implementing official methodologies for the societal impact sections. He stated that they are seeking approval for a new tool, developed by the EPA, called, Avert to be the official methodology for measuring environmental impacts. He discussed Avert and explained the details.

Matt Ranelli questioned how they can get this down to a Municipal level. Eric Shrago stated that they are very happy to get it on a State and County level. He stated that they are not seeking to do anything further at this time.

John Harrity questioned if this is better than what they have been using, and if this is an industry standard. Eric Shrago stated that this is much closer to industry standard, and that they have been using old methodology.

Matt Ranelli questioned if there is a way to spend some time looking at the data and information. Eric Shrago stated that you can go into the EPA's website. He stated that the tool is there to be downloaded. Bryan Garcia stated that they could put all of their input assumptions into Avert for the public, on the website. He explained that they do have roadmap sections there now. He stated that they are going to also link a fact sheet to Avert.

Eric Shrago stated that Avert updates the file based off of generation every year. He stated that the impact from the projects is going to diminish, the grid will get cleaner over time.

Matt Ranelli questioned if the REC's they sell are included in the model. Eric Shrago advised that they are not. Bryan Garcia stated that they disclose this in the Fact Sheet and will do the same in the CAFR.

**Upon a motion made by John Harrity, and seconded by Matt Ranelli,
Resolution 3 passed unanimously.**

Resolution #3

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed Environment Benefit Methodology.
Second. Discussion. Vote.

7. Information Technology Vendor Management**

Eric Shrago discussed Information Technology Vendor Management. He stated that they are looking to have a Statement of Control or Certification for their IT Systems. She stated that this would be a great benefit. He stated that they are working to get everything up to the standards of the SOC2. He stated that they are implementing best practices around the Core Information Technology Systems.

John Harrity stated that he would like to add OSHA and DOL on page 87 of the application. Eric Shrago stated that he would look into getting this added. John Harrity also suggested that they also put in a preference for Connecticut vendors. Brian Farnen stated that they will look into adding this.

Upon a motion made by John Harrity, and seconded by Matt Ranelli, an amended Resolution, adding the initials IT in front of Vendor, was passed unanimously.

RESOLVED, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the proposed draft Information Technology Vendor Management Policy. Second. Discussion. Vote.

8. Board Membership and Recruitment Update

Brian Farnen provided an update on Board Membership and Recruitment. He stated that Gina McCarthy will be replacing Mun Choi. Betsy Crum will be replacing Pat Wrice. He also stated that Norma Glover will be ending her time with the Board in the near term. He stated that they we are beginning conversations regarding a replacement for Norma Glover.

9. 2017 Legislative and Regulatory Update

Brian Farnen provided a Legislative and Regulatory update. He stated that they will provide support for RPACE. He stated that Senate Bill 106 has a lot of Renewables attached to it but it looks less likely to get passed. He also explained that they are working with legislative leaders on both sides of the aisle and our supporters to minimize any potential impact to the Green Bank's Balance Sheet, in the event that interests in Hartford proposes a sweep of ratepayer funds.

10. Adjourn

Upon a motion made by John Harrity, and seconded by, Matt Ranelli, the meeting was adjourned at 3:46 p.m.

Respectfully Submitted,

Matthew Ranelli, Chairperson of the Audit,
Compliance, and Governance Committee

DRAFT