

CONNECTICUT GREEN BANK

Board of Directors

Minutes

Friday, April 22, 2016

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on April 22, 2016 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

1. Call to Order: Catherine Smith, Chairperson of the Connecticut Green Bank, called the meeting to order at 9:03 a.m. Board members participating: Bettina Bronisz, State Treasurer’s Office; Norma Glover; Patricia Wrice; John Harrity; Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Reed Hundt (by phone), Mun Choi (by phone); Tom Flynn (by phone); Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development (“DECD”).

Members absent: Matthew Ranelli and Kevin Walsh

Staff Attending: Bryan Garcia, Bert Hunter, Brian Farnen, George Bellas, Mackey Dykes, Kerry O’Neill (by phone), Craig Connolly, Suzanne Kaswan, John D’Agostino, Joe Buonannata, Jane Murphy, Andrea Janecko, Mariana Trief (by phone), Laura Fidaio (by phone), Chris Magalhaes (by phone), Mike Yu (by phone) and Cheryl Samuels.

Others Attending: Jeff Schub, Coalition for Green Capital

2. Public Comments

There were no public comments.

3. Consent Agenda

a. Approval of Meeting Minutes for January 15, 2016*

Resolution #1

Upon a motion requested by Commissioner Smith, so moved by Patricia Wrice and seconded by John Harrity the board unanimously approved the January 15, 2016 Board of Directors meeting minutes.

4. **Update from the President**

Sector Progress— In a memo sent to the board, Mr. Garcia expressed that sector progress was behind on its targets due to current market influences. Mr. Garcia reported that the Residential Solar Investment program has currently reached 50.5 MW of its 90 MW goal. When targets were set, there was an expectation that a solarize effect would occur following the end of the ITC federal tax credit; however due to the extension of the tax credit, there has not been an escalated increase in volume. In addition to the RSIP targets, Mr. Garcia informed the board that the statutory & infrastructure sector has approved several food waste to energy anaerobic digestion projects, however, they are experiencing delays with permitting approvals. Once food waste projects have been closed, the progress to target numbers are expected to increase.

Mr. Garcia remarked on the residential sector Smart-E Loan program, stating that the team currently has several targets across various channels that are experiencing market challenges (i.e., CHIF/HES) and partner competition (i.e., Heating Loan). As a result, Mr. Garcia expressed that he plans to work with Kerry O'Neill to continue refocusing the team's efforts on areas where the Green Bank can make the most impact such as health and safety issues and low income markets.

Commissioner Smith expressed that while aggressive goals are encouraged, the Green Bank should consider tempering targets for the upcoming fiscal year. Commissioner Smith included "targets were set much higher than last year. What you've done is so phenomenal but let's recognize the budget and create targets accordingly."

Mr. Harrity suggested that due to the current decline in energy costs, the Connecticut Green Bank should reemphasize the aspect of climate change. Mr. Hundt added that much is happening in addressing climate change on the international level.

Budget – Mr. Garcia provided the board with three months of financial statements. He noted that the CT Green Bank has switched to a cloud-based accounting system called Intacct and can now see a real-time reflection of the budget anytime and anywhere. Mr. Garcia highlighted improvements made to the balance sheet stating that cash is down to 10.5 million "a much different picture than what we were seeing five years ago." Mr. Garcia conveyed that the CT Green Bank will soon be transitioning its board materials to an online platform through Board Effect. Cheryl Samuels is piloting the platform with the B&O Committee and it is expected that other committees and the board will adopt over time.

5. **Board of Directors Strategic Discussions**

Mr. Hundt informed the board that the CT Green Bank is a member of the Global Green Bank Network, funded by a charitable foundation for which there will be a global gathering in Tokyo

Japan on October 13-14 of this year. This gathering is part of a continued effort to make the Paris promises real. Mr. Hundt stated “we’ve reached the most important multilateral agreement that the world has seen since the late 1940’s. It’s widely understood that finance is critical to achieving these commitments”.

Mr. Hundt informed the board that the rate of investment in Connecticut is around 15% of what actually is necessary to save the world from climate change and replace the carbon platform with a clean platform. “To address climate change, the growth rate has to continue, we need to see better technological solutions and more financing. If clean energy is going to be the way forward than prices will need to drop” added Mr. Hundt.

Mr. Hundt introduced his colleague Jeffrey Schub to speak to the green bank activity across the United States. Mr. Schub thanked Mr. Hundt for the introduction and the Green Bank for the speaking opportunity. Mr. Schub explained that Coalition for Green Capital is working to create green banks around the country – “we are working with 15 states that are developing or have expressed interest in creating a green bank. It’s interesting to see the wide variability within the governments exploring green banks. Maryland passed legislation to create Montgomery Green Bank, created as a non-profit. We are receiving calls every day asking the same question, how did the Connecticut Green Bank do this?”

Mr. Schub added that while motivation for creating a green bank varies across states “we need to work hand-in-hand with Connecticut to capture information which is why we starting working with Bryan and team to create a Green Bank Playbook. Commissioner Smith thanked Mr. Schub for his remarks and asked whether he felt the growth of green banks is increasing at a measureable scale. Mr. Schub explained that the majority of calls were once outgoing and are now all incoming. Ms. Smith commented on the opportunity to adopt new expertise from other states and apply it globally. Conversation ensued regarding new technologies and market opportunity. Ms. Smith thanked Mr. Schub for his presentation and efforts in promoting green banks nationally.

6. Connecticut Green Bank Bond Indenture

Mr. Hunter explained that when looking at the draft master indenture, the Green Bank concluded it would be best to move forward with a single project-by-project individual indenture approach rather than a master trust indenture approach. Mr. Hunter added that this process would be more efficient and easier for buyers of the bonds given the dissimilarity of the underlying projects, risks and revenue streams. CT Green Bank had a meeting with the Office of the Treasurer to discuss the draft indenture. Mr. Hunter noted several comments were made but all felt the proposal was too ambitious to bring to the board at this time. The plan is to present at the upcoming June meeting.

7. Staff Transition Recommendations*

a. Residential Sector Programs Transaction Recommendations

i. **CT Solar Loan Sell Down***

Mr. Hunter requested a reauthorization to finance (sell) a portion of the Green Bank's portfolio of residential solar loans. Mr. Hunter explained that the board previously authorized this action but that authorization has since expired and the Green Bank is now looking to close on a transaction with the Reinvestment Fund.

Upon a requested by Commissioner Smith, so moved by Robert Klee and seconded by John Harrity the board unanimously approved the reauthorization of the CT Solar Loan sell down.

Resolution #2

WHEREAS, the Board of Directors ("Board") of the Connecticut Green Bank ("Green Bank") previously authorized the proper Green Bank officers to execute and deliver any contract or other legal instrument necessary to effect the acquisition of a portion of the CT Solar Loan program loan portfolio by one or more senior investors no later than twelve (12) months from August 19, 2014;

WHEREAS, a suitable senior investor was not identified within this twelve (12) month period; and

WHEREAS, a suitable investor has now been identified and is prepared to finance the remaining portfolio of loans.

Now, therefore be it:

RESOLVED, that the Board of Directors reauthorizes the proper Green Bank officers to execute and deliver any contract or legal instrument necessary to effect the acquisition or financing of a portion of the CT Solar Loan program loan portfolio substantially in accordance with the terms set forth in the memorandum submitted to the Board on April 15, 2016; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents as they shall deem necessary and desirable to effect the above-mentioned transaction.

ii. **Solarize SSHP with CHFA***

Mr. Hunter expressed that over the past year Green Bank staff has worked with the Connecticut Housing Finance Authority (CHFA) to help affordable multi-family properties in the state go solar. The board previously approved a program financing solution in October; however, the

Green Bank has since engaged in final negotiations with CHFA. The original board authorization was open to interpretation with respect to permitted credit support by Green Bank and its subsidiaries. Mr. Hunter remarked that the Green Bank seeks to clarify the original board authorization to enable CEFIA Solar Services Inc., CEFIA Holdings LLC, and Green Bank to provide credit support to the transaction to enable successful execution of the program in partnership with CHFA.

Mr. Klee asked Mr. Hunter for the total amount of Qualified Energy Conservation Bonds (QECB's) for which Mr. Hunter replied a total of \$3 million (of which this initial transaction will amount to \$1.7 million).

Upon a motion requested by Commissioner Smith so moved by Ms. Bronisz and seconded by Mr. Klee the board voted unanimously in favor of the proposed authorization.

Resolution #3

WHEREAS, the Board of Directors (the "Board") of the Connecticut Green Bank ("Green Bank") previously authorized a partnership with the Connecticut Housing Finance Authority ("CHFA") to support properties in the State Sponsored Housing Portfolio ("SSHP"), and other properties of similar use and purpose, in going solar; and

WHEREAS, Green Bank staff is now requesting clarification with respect to the support that various Green Bank subsidiaries and affiliates can offer to ensure the success of that partnership;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized, on behalf of the Green Bank and all relevant subsidiaries and affiliates, to execute a loan agreement and ancillary documentation with CHFA with terms and conditions materially consistent with those presented in the memorandum to the Board dated April 15, 2016 and revised April 20, 2016.

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

b. Commercial and Industrial Sector Program Transaction Recommendations

i. C-PACE Transaction – Groton*

Mackey Dykes, Director of Commercial & Industrial Programs informed the board that through C-PACE, the Green Bank seeks to support CURE with financing clean energy improvements that will lower their energy costs. CURE was provided a grant through DECD to fund the

building repositioning; however, because the grant is secured with a non-payment mortgage, the loan-to-value amount is outside the usual C-PACE underwriting criteria. Given the magnitude of the investment in the building and the non-payment nature of the DECD mortgage, the finance team feels a loan to cost metric is more appropriate for valuation. With a loan to cost at 72%, the staff feels secure in recommending approval of the loan.

Commissioner Smith questioned whether the loan to value reflects the C-PACE loan as well as the value of the work done to the building. Mr. Dykes replied yes, both are reflected.

Ms. Smith congratulated Mr. Dykes on his first approved C-PACE transaction since transitioning to his new role as Director of Commercial & Industrial Programs.

Upon a motion made by Ms. Wrice and seconded by Mr. Harrity. The board voted unanimously in favor of supporting the Groton C-PACE project.

Resolution #4

WHEREAS, pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), the Connecticut Green Bank (Green Bank) is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, the Green Bank Board of Directors (the "Board") has approved a \$40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a **\$741,702** construction and (potentially) term loan under the C-PACE program to CURE Innovations, LLC, the building owner of 93 Shennecossett Road, Groton, Connecticut (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the C-PACE authorizing statute, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated April 15, 2016, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors;

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

RESOLVED, that the proper the Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

ii) CT Solar Lease II – Expansion of Commercial Facility*

Mr. Hunter informed the board that the CT Solar Lease 2 program has exceeded expectations, and staff is now looking to expand the facility in order to finance more commercial scale solar projects for municipalities, nonprofits, and C&I customers around the state. This is a small expansion that will continue to leverage US Bank tax equity and debt provided by First Niagara, with the goal of bridging the gap until a new fund is initiated later this summer. Mr. Hunter requested to extend the facilities with US Bank to the end of the first quarter of 2017 to allow for the deployment of expanded tax equity and debt commitments and also to increase the Green Bank's current sponsor commitment by \$1.2 million.

Mr. Hunter added that there will be a slight edit "as revised by memorandum circulated on April 26".

Upon a motion made by Ms. Wrice and seconded by Mr. Klee, the board voted unanimously in favor of extending the US Bank tax equity and First Niagara debt facilities associated with SL2 to the end of Q1 2017 and increasing the Green Bank's net sponsor equity commitment by approximately \$1.3M.

Resolution #5

WHEREAS, at a special meeting of the Board of Directors of the Connecticut Green Bank ("Green Bank") held on June 26, 2013, the Green Bank Board of Directors (the "Board") approved resolutions authorizing the creation of the CT Solar Lease 2 program ("Solar Lease 2");

WHEREAS, the Green Bank intends to extend the commitment size and duration of the tax equity, credit facilities, and Green Bank participation supporting Solar Lease 2 as set forth in the memorandum submitted to the Board dated April 15, 2016 and revised April 20, 2016;

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors ("Board") authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to execute and deliver amendments and other related documentation to extend the

commitment size and duration of the tax equity, credit facilities, and Green Bank participation supporting Solar Lease 2 consistent with the memorandum submitted to the Board dated April 15, 2016 and revised April 20, 2016, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board;

RESOLVED, that “sponsor equity commitment” for the CT Solar Lease 2 program for the purposes of Board authorization is defined as (a) capital contributions by CEFIA Solar Services Inc. to CT Solar Lease 2 LLC LESS (b) cumulative net income of CEFIA Holdings LLC derived from its role as “Developer” for the CT Solar Lease 2 program;

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

c. Statutory & Infrastructure Transaction Recommendations

i. Hydro Project Update and Approval (Meriden)*

Mr. Hunter updated the board on the 193 kW New England Hydropower project in Meriden. On February 26, 2016 the board approved a working capital guarantee of not-to-exceed \$300,000 under the existing working capital facility with Webster Bank. CREBs regulations limit the Green Bank’s role in construction finance prior to receiving a CREBs allocation. To avoid delays in advance of the closing of a construction financing line with First Niagara, the Green Bank is requesting to increase the working capital line to not-to-exceed \$600,000 through the current partnership with Webster Bank while also seeking authorization to issue a guaranty to a third party lender (i.e., First Niagara) for construction finance.

Ms. Glover asked Mr. Hunter to summarize the risks associated with this project to which Mr. Hunter replied that the revenues are tied to the PPA power output. So, if revenues are lower than projected, this will be covered by the Green Bank. Essentially, the Green Bank will make payments on the bonds regardless of the revenues received from the hydropower facility.

Ms. Bronisz asked Mr. Hunter whether the PPA was fixed or escalated. Mr. Hunter stated that the PPA agreement contains an escalator of 2% per year for 40 years; however, the Green Bank expects the first 20 years of production will pay off the bonds.

Note: Commissioner Smith excused herself from the meeting and Mr. Klee resumed as Chairman.

Mr. Klee and Ms. Bronisz stated for the record, that their vote is intended for financing approval only and does not reflect a regulatory endorsement (Mr. Klee) or an endorsement with respect to approval for Special Capital Reserve Fund matters (Ms. Bronisz).

Upon a motion moved by Ms. Glover and seconded by Mr. Bronisz, the board voted unanimously in favor of increasing working capital to NTE \$600,000 and

authorization to issue a third-party lender for construction finance.

Resolution #6

WHEREAS, in accordance with (1) the statutory mandate of the Connecticut Green Bank (“Green Bank”) to foster the growth, development, and deployment of clean energy sources that serve end-use customers in the State of Connecticut, (2) the State’s Comprehensive Energy Strategy and (3) Green Bank’s Comprehensive Plan for Fiscal Years 2015 and 2016 (the “Comprehensive Plan”), Green Bank continuously aims to drive private capital investment into clean energy projects;

WHEREAS, pursuant to the development of a small hydroelectric facility at the Hanover Pond Dam on the Quinnipiac River in Meriden (“Project”), on February 26, 2016 the Green Bank Board of Directors (the “Board”) authorized:

- i) construction financing in an amount not to exceed \$3.1 million,
- ii) a working capital guaranty in an amount not to exceed \$300,000 to New England Hydropower Company (“NEHC”), the project developer, under the Green Bank’s existing working capital facility partnership with Webster Bank; and,
- iii) term financing based on the following
 - a. the issuance of New Clean Renewable Energy Bonds (“CREBs”) in an amount not to exceed \$3,100,000, and
 - b. securing the issuance of CREBs utilizing the Special Capital Reserve Fund (“SCRF”) subject to further Board approval; and

WHEREAS, Green Bank staff now recommends that the Board authorize an increase in the working capital guaranty afforded to NEHC in connection to the Project under the Green Bank’s existing working capital facility partnership with Webster Bank.

NOW, therefore be it:

RESOLVED, that the Green Bank may increase the amount of its working capital guaranty under the Green Bank’s existing working capital facility partnership with Webster Bank, for draws made by NEHC solely in connection with this Project and in an amount not to exceed \$600,000 and may issue a guaranty to a third party lender for construction finance for the Project as more completely described in a memorandum to the Board of Directors dated April 15, 2016 and as revised on April 20, 2016;

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Ben Healey and Mariana C. Trief, Clean Energy Finance.

8. Other Business

Mr. Garcia presented an overview of the current budget and legislative activity. Mr. Garcia recognized and thanked Mr. Harrity for his support with community advocates and noted that the budget continues to be a weekly changing landscape. On the legislative side, the budget has been the Green Bank's top priority however the team has also been focused on R-PACE and a bill concerning a technical fix for C-PACE and SHREC administrative powers. Mr. Garcia expressed that the Green Bank has recently experienced some setbacks on R-PACE, but continues to work closely with the Governor's Office. Mr. Garcia thanked the Commissioner for his support and recognized the team for their hard work during this legislative session. Mr. Garcia also recognized the PURA Commissioners for their recent rulings in several documents on SHREC, VNM and others. He specifically acknowledged Commissioner Betkowski, Commissioner Caron, and Chairman House. He also acknowledged Elin Katz and Joe Rosenthal of the Office of Consumer Counsel for their support as well.

9. Adjournment: Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board voted unanimously in favor of adjourning the April 22, 2016 meeting at 11:01 a.m.

Respectfully Submitted,

Catherine Smith, Chairperson