

# CONNECTICUT GREEN BANK

Board of Directors

Minutes

Friday, January 20, 2017

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on January 20, 2017 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

## 1. Call to Order

Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 9:04 a.m. Board members participating: Matt Ranelli, Rob Klee, Mun Choi, John Harrity, and Reed Hundt (by phone)

Members Absent: Bettina Bronisz, Norma Glover, Pat Wrice, Kevin Walsh, and Tom Flynn

Others Attending:

Staff Attending: Bryan Garcia, Cheryl Samuels, Bert Hunter, Brian Farnen, Kerry O’Neill, Mackey Dykes, Dale Hedman, Kim Stevenson, Craig Connolly, Andrea Janecko, Anthony Clark, Alex Kovtunencko, George Bellas, Fiona Stewart, Chris Magalhaes, Eric Shrago, Jane Murphy, Rudy Sturk, Ben Healey and Mariana Trief (by phone).

## 2. Public Comments

There were no public comments.

## 3. Consent Agenda

**Upon a motion made by Commissioner Klee and, seconded by John Harrity, the Consent Agenda passed unanimously.**

### a. **Approval of Meeting Minutes for December 16, 2016\* and January 5, 2017\***

#### **Resolution #1**

Motion to approve the minutes of the Board of Directors Meeting for December 16, 2016

#### **Resolution #2**

Motion to approve the minutes of the Board of Directors Meeting for January 5, 2017

### b. **Position Description\***

#### **Resolution #3**

Motion to approve the position description for Vice President of Residential Programs

### c. **Financial Statement for November 2016**

**d. Comprehensive Annual Financial Report for FY 2016**

**e. Hannover Pond Update**

**f. Acknowledgement and Recognition**

Commissioner Smith recognized Mun Choi for his contributions and congratulated him on his new endeavor. Bryan Garcia also recognized him for his contributions and presented him with a gift. Several other members including, Commissioner Klee, John Harrity, and Matt Ranelli also thanked and recognized him. Commissioner Smith read a statement from the Governor thanking and honoring him for his service.

Mun Choi thanked the Board.

**g. EECLP Business Plan**

**4. Strategic Retreat Overview**

Bryan Garcia provided an update on the Strategic Retreat. He discussed building relationships with the utilities and that they would like to find a way to create a private entity for things that they are unable to achieve through the current programs. He also discussed operations issues and finding a way to deploy capital on hand to existing programs. He stated that there had been conversation around the new Trump Administration, as well as, leveraging a large national player, Bank of America, partnering with the Connecticut Green Bank. He also touched on the RSIP. He stated that they will come back to the Board in April on a number of items.

Mackey Dykes touched on the ESA. Kerry O'Neill discussed the ESA Model for HVAC equipment. She also discussed the Smart-E Program, stating that they could look to expand their terms to 15-20 years. She explained that they could also potentially offer more IRB.

Bryan Garcia touched on the Fuel Cell Industry, explaining that there are a number of projects on the table that they may be able to get into. He explained that the teams are looking at where they can put their capital to work.

Bryan Garcia discussed the new market side and what can be done in coordination with DEEP to support expansion into the Renewable Thermal Technologies and the Zero Emission Vehicles. He explained that they are working with DEEP and the Utilities for all parties to win.

John Harrity discussed charging stations and the fact that there are some large employers in the state that have environmental commitments. He stated that they should be prime targets.

Bryan Garcia stated that on the GC3 they have The Hartford. Commissioner Klee stated that they need to be cognizant of the timing of the various initiatives. Commissioner Smith stated that there is increasing concern about the costs coming out of Washington and that it might require some local participation that may have not been done before.

**5. Committee Recommendations and Updates\***

**a. Budget and Operations Committee**

**i. Progress to Targets – Proposed Revisions\***

Eric Shrago provided an update on the Progress to Targets and the proposed revisions.

Eric Shrago stated that after some discussion they have proposed to restate some of the Targets including S & I down to 6001, RESI down to 771, due to inactivity of the HES channel and longer lead times in multifamily projects. He also touched on CPACE requesting a revised target of 74 projects for the CI&I sector.

Commissioner Smith questioned how this compared to last year. Eric Shrago explained that last year they had completed 6100 projects and over 1000 loans in RESI, 44 in C & I, and a bit above in S & I.

Commissioner Klee questioned what the projects looked like that they facilitated (but led by other lenders), but did not complete and suggested that they do take some credit for those since they did facilitate them. Eric Shrago explained that they will take some credit for those.

**Upon a motion made by Commissioner Klee and, seconded by Mun Choi Young the request was approved unanimously.**

**Resolution #4**

**ii. RESOLVED, the Connecticut Green Bank Board of Directors approves the fiscal year 2017 target adjustments as presented here today Budget Investments, Revenues, and Expenses – Proposed Revisions\***

Eric Shrago discussed the budget adjustments. He stated that the Legislature had reallocated RGGI funds. He explained that there is an adjustment under interest income, as well as, due to delay of the SHREC sales. There are also downward revisions due to the new projected number of CPACE projects for the year. He explained that overall there is a downward adjustment of \$3.5 million.

Eric explained that there are a handful of expense reallocations within the existing budget and discussed the approval from the Board for \$400,000 to Energize CT stating that it had been a bill that they were made aware of a few months ago. He stated that they are legitimate expenses that they are just being billed for. George Bellas provided some clarification on the bill.

**Upon a motion made by John Harrity and, seconded by Commissioner Klee, the request passed unanimously.**

**Resolution #5**

6. RESOLVED, that the Connecticut Green Bank Board of Directors approves the fiscal year 2017 revisions and reallocations outlined in Attachment B. **Staff Transaction Recommendations and Updates\***

**a. Commercial, Industrial, and Institutional Sector Program Transaction Recommendations and Updates**

**i. Commercial and Industrial Solar PPA Fund and US Bank Recommendation\***

Ben Healey discussed Solar Lease 3 solar PPA fund. He advised that they are moving forward and will ask for authorization to negotiate on some of the outstanding items.

Matt Ranelli asked if this will allow for early payment. Ben Healey stated that it is PPA's and there be the tax equity period of 5-6 years before the tax benefits have been utilized, following which the energy customer may purchase the system in accordance with the provisions of the power purchase agreement.

**Upon a motion made by Commissioner Klee and, seconded by John Harritty the Resolution passed.**

**Resolution #6**

**WHEREAS**, the Green Bank has successfully utilized all of the capacity of the CT Solar Lease 2 program ("Solar Lease 2"), which was authorized at a special meeting of the Board of Directors of the Connecticut Green Bank ("Green Bank") held on June 26, 2013;

**WHEREAS**, the Green Bank has received a draft term sheet from U.S. Bank to extend the success of Solar Lease 2 by investing approximately \$9 million in tax equity financing into a new solar fund focused exclusively on commercial-scale systems ("Solar Lease 3"), in a manner materially consistent, absent debt financing at the project level, with the structure previously approved by the Board of Directors with respect to Solar Lease 2; and

**WHEREAS**, the Green Bank intends to create a new special purpose vehicle and fund structure for Solar Lease 3, utilizing U.S. Bank tax equity, as broadly set forth herein.

**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 term sheets and negotiate and deliver definitive documentation to enable U.S. Bank tax equity capital and Green Bank sponsor equity to create together a Solar Lease 3 fund consistent with the memorandum submitted to the Board dated January 13, 2017, 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 the Green Bank may commit up to \$15 million to Solar Lease 3 for term financing, in anticipation that Solar Lease 3 will be back-levered once its capacity has been fully utilized and the portfolio appropriately seasoned; and

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

ii. **Kresge Foundation Program Related Investment Recommendation\* – Resiliency with Battery Storage**

Anthony Clark discussed the Kresge Foundation. He stated that the initial approval had come from the Board back in November. He explained that it's a \$3 million draw down over an 18-month period, with an interest rate of 2%, paid quarterly over 10 years. He explained that Kresge will give a matching grant of 5% of the PRI value. He explained that the Connecticut Green Bank will create a special purpose entity in order to receive the funding. He stated that they are looking for approval to take it on and to create the SBA.

Mun Choi questioned what the motivation was to approach the Kresge Foundation. Anthony Clark mentioned that they had met at a retreat that they had attended and that they had learned about several interesting models around the country. Commissioner Klee stated that this is a really critical space which is needed for their goals.

**Upon a motion made by Commissioner Klee and, seconded by Mun Choi the request passed unanimously.**

**Resolution #7**

**WHEREAS**, the Connecticut Green Bank ("Green Bank") is actively seeking to deploy private capital to support affordable, clean, and resilient energy to property owners;

**WHEREAS**, the Kresge Foundation ("Kresge") is a private foundation that funds arts and culture, environment, education, health, community development and human resources;

**WHEREAS**, pursuant to Connecticut General Statutes Section 16-245n, as amended from time to time, the Green Bank is authorized to accept both charitable gifts and loans from philanthropic foundations;

**WHEREAS**, the Green Bank drafted a proposal to Kresge dated June 30, 2016, which the latter has accepted, for a \$3,000,000 Program Related Investment ("PRI") to support the deployment of clean energy systems that provide energy resilience and are installed at affordable housing and other buildings that might

act as hubs during major grid outage events in coastal and urban Connecticut;  
and

**WHEREAS**, Green Bank staff recommends that the Board authorize the creation of a Special Purpose Entity that will be wholly owned by the Green Bank to take on the Kresge PRI obligation.

**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 accept the Kresge PRI, and in so doing obligate the Green Bank in a total amount not to exceed \$3,000,000 with terms and conditions consistent with the memorandum and associated exhibits submitted to the Board of Directors dated January 13, 2017, 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 January 13, 2017;

**RESOLVED**, that the Green Bank may establish a wholly owned Special Purpose Entity with all the requisite powers to take on the Kresge PRI obligation as described in the memorandum to the Board of Directors dated January 13, 2017; and

**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.

iii. **Small Business Energy Advantage in Partnership with the Eversource Energy and United Illuminating Update**

Anthony Clark provided an update on the SBEA. He stated that the Connecticut Green Bank had run an RFP last year and that they have settled on JP Morgan. He stated that they are proposing that the loan funding be from a facility that the Connecticut Green Bank would create. He advised that some of the capital would be private and some would be from the Connecticut Green Bank. He stated that they are trying to ensure that the CEEF budget that has already been allocated will flow through to the Connecticut Green Bank LLC, once they are the new capital source. He stated that if CEEF didn't have sufficient funds to cover in the future, there would be another mechanism needed to provide that support. He stated that they're working to come up with a strategy. He explained that they need to get the credit backstops in place to get the best capital rate.

Bert Hunter stated that the level of savings will be immense. He stated that the average rate between UI and Eversource is about 10%. He stated that this will drop it to inside of 3%.

John Harrity stated that they are unclear as to whether or not this has to go through PURA. Bert Hunter stated that yes, that all of the uses of CEEF money must go through PURA for approval.

Commissioner Smith questioned what the motivation is from the utility side. Bert Hunter explained that their Corporate Treasury will put no more funds into the program. He stated that the other reason is that the savings can be directed to other programs.

**b. Residential Sector Program Transaction Recommendations**

**i. Smart-E Loan Program – Revisions**

Kerry O'Neill discussed the Smart-E Program and a request to allow credit unions and community banks to offer the alternative underwriting terms for credit-challenged customers. She explained that this should help to decrease the program's customer decline rates.

**Upon a motion made by Matt Ranelli and, seconded by Mun Choi, the request passed unanimously.**

**Resolution #8**

**WHEREAS**, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Connecticut Green Bank (the "Green Bank") to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

**WHEREAS**, in February of 2013, the DEEP released the Comprehensive Energy Strategy ("CES") for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program and the development of an on bill repayment ("OBR") program for residential customers with a utility shutoff provision for failure to make loan repayments; and

**WHEREAS**, in May of 2013, Green Bank launched the Smart-E Loan program, statewide as of November 2013, with 9 credit unions and community banks providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan uses \$4.3 million of credit enhancement, including both repurposed ARRA-SEP and Green Bank funds, to attract nearly \$30 million of private investment from local financial institutions.

**NOW**, therefore be it:

**RESOLVED**, that the Green Bank Board of Directors (the “Board”) approves of the request to allow for all current and future community banks, credit unions and community development financial institutions to utilize the Smart-E Loan Program’s alternative underwriting option, consistent with the memorandum submitted to the Board dated October 9, 2015 and as modified by the memorandum submitted to the Board January 13, 2017.

ii. **Multifamily Catalyst Fund Pilot Program – A Pathway to Promote More Clean Energy\***

Kerry O’Neill discussed the Multi-Family Catalyst Fund Pilot Program. She provided a video for the Board to touch on some key points. She stated that projects that are not as easily underwritten through the traditional program at HDF will go through this new program, with most being very complex and technical challenges. She explained that this addresses the naturally occurring affordable multifamily market, and that they are asking for \$1.5 million to address the issue. She explained that all of the loans will go through the standard underwriting criteria and guidelines. She explained that if a property is going to do Health and Safety financing they must do an energy assessment or audit and complete identified energy upgrades. She explained that the maximum for Health and Safety upgrades financed is 75% of the total project costs, and those costs could be up to 100% of the loan amount. Brian Farnen stated that this is consistent with the Enabling Statute because it must be directly related to a clean energy improvement and the new underwriting guidelines make that clear.

Kerry O’Neill shared some information that DEEP is in discussions to provide \$1.5 million to be added into the program. Commissioner Klee advised that the monies are for the Health and Safety issues that have been so challenging. He advised that the money is coming from RGGI dollars.

Commissioner Smith asked for a bit more clarification because the level of 75% seems a bit high. Kerry O’Neill described the details and the scope of work. She advised that the 75% will be outliers. She stated that they don’t expect to see a lot of those projects and that the program is a pilot from which the team is expected to learn how these funds deal with barriers to energy improvements.

John Harrity questioned if there was any other public agency that provides resources for the Health and Safety part. Kerry O’Neill stated that there are some properties under CHFA and the Department of Housing, but no others. Commissioner Smith requested that they try CHFA and the Department of Housing first. Kim Stevenson advised that every avenue is explored.

**Upon a motion made by Commissioner Klee and, seconded by John Harrity, the request was approved unanimously.**

**Resolution #9**



**WHEREAS**, the Connecticut Green Bank (“Green Bank”) actively seeks to deploy private capital investment toward clean energy improvements in the state’s multifamily housing which in some cases have preexisting health and safety issues that are preventing opportunities for clean energy improvements to be made;

**WHEREAS**, the definition of “clean energy” per the Green Bank’s enabling statute set forth at C.G.S. 16-45n includes renewable energy technologies as well as “financing of energy efficiency projects,” but does not include health and safety;

**WHEREAS**, the Green Bank’s enabling statute provides that the Green Bank may make “expenditures that promote investment in clean energy in accordance with a comprehensive plan developed by it to foster the growth, development, and commercialization of clean energy sources,” and that “such expenditures may include, but not be limited to...the implementation of the plan developed pursuant to ... this section”;

**WHEREAS**, the Green Bank Comprehensive Plan approved by the Board of Directors on July 22, 2016 provides guidance on mitigating health and safety issues that act as barriers to realizing clean energy investments opportunities to make in its executive summary, goals, evaluation framework, and residential sector sections; the Comprehensive Plan also notes that the goals of the Green Bank are to support the implementation of Connecticut’s clean energy policies be they statutory (i.e., PA 15-194), planning (i.e., Comprehensive Energy Strategy, Integrated Resources Plan), or regulatory in nature;

**WHEREAS**, the 2013 Comprehensive Energy Strategy for Connecticut released by the Connecticut Department of Energy and Environmental Protection recognizes that health and safety issues are a barrier to clean energy improvements;

**WHEREAS**, Green Bank staff has developed guidelines for how the Green Bank shall make loan investments to remove health and safety barriers to realize clean energy improvements at multifamily properties consistent with the Green Bank’s enabling statute;

**WHEREAS**, the Green Bank Board of Directors (the “Board”) has previously approved a Program Related Investment (“PRI”) in the amount of \$5,000,000 from the John D. and Catherine T. MacArthur Foundation (“MacArthur”) to support the Green Bank’s efforts to accelerate energy efficiency and clean energy upgrades in multifamily properties across the state of Connecticut as outlined in the proposal presented by the Green Bank to MacArthur;

**WHEREAS**, MacArthur later selected the Housing Development Fund (“HDF”) to receive and administer the MacArthur PRI;

**WHEREAS**, Green Bank staff is now requesting a reallocation of \$1,500,000 from the Statutory and Infrastructure Sector (\$1,000,000 from Anaerobic Digester Projects and \$500,000 from Micro Grids) to support a pilot program providing term financing for energy and related health and safety improvements (“Pilot Program”).

**NOW**, therefore be it:

**RESOLVED**, that the Board authorizes additional funding from the Green Bank’s balance sheet through a reallocation from the Statutory and Infrastructure Sector, in an amount not to exceed \$1,500,000, for the Pilot Program with terms and conditions consistent with the guidelines and memorandum dated January 13, 2017 and associated exhibits submitted to the Board; and

**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 affect the above-mentioned legal instruments.

**c. Investment Division Transaction Recommendations**

**i. Bank of America – Strategic Opportunity\***

Ben Healey provided an overview of the strategic opportunity with Bank of America. He explained that it is a 10-year loan with a 2 year draw period. He explained that the details are still being discussed. He stated that the staff is recommending that they move forward in finalizing the term sheet, which is still being negotiated. He advised that they will not have cash that is just sitting on their balance sheet. He advised that it will be used for specific programs.

Brian Farnen advised that there is no prepayment penalty or commitment fee and this resolution is a strategic selection based on the rationale set forth in the memorandum.

Commissioner Smith questioned with the principal being due in the last few years that if they put it against specific programs, will that be a risk to not be able to pay it back. Ben Healey advised that it’s designed to be more favorable and to give more flexibility, but they do have to be thoughtful of the structuring of the funds.

Commissioner Smith questioned if the 10 years starts when the funds are drawn. Ben Healey stated that that part is unclear, but he thinks that it’s when they close the deal. He stated that they are still negotiating.

Bert Hunter stated that they can use it for a project extension for the SBEA. He stated that the facility can be used for any future program with the approval of Bank of America.

**Upon a motion made by John Harrity and, seconded by Commissioner Klee, the request was approved unanimously.**

**Resolution #10**

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) actively seeks to deploy private capital to support clean energy upgrades and generation;

**WHEREAS**, Bank of America (“BofA”) has proposed to loan \$10,000,000 (the “BoA Funds”) to the Green Bank to support the Green Bank’s efforts to accelerate energy efficiency and clean energy generation across Connecticut; and

**WHEREAS**, the proposed loan qualifies as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII due to BofA’s uniquely attractive offer to lend to the Green Bank, and the strategic nature of being the first green bank to source low-cost, long-term private capital based on its balance sheet.

**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 accept the BofA Funds, and in so doing obligate the Green Bank in a total amount not to exceed \$10,000,000 with terms and conditions consistent with the memorandum submitted to the Board of Directors dated January 13, 2017, 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 January 13, 2017; and

**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.

7. **Other Business**

There was no other business.

8. **Adjourn**

**Upon a motion made by John Harrity and, seconded by Commissioner Klee, the Board voted unanimously to adjourn the meeting at 10:34 a.m.**

Respectfully Submitted,

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Catherine Smith, Chairperson