

**BUDGET AND OPERATIONS COMMITTEE OF THE
CONNECTICUT GREEN BANK**

Minutes – Regular Meeting

Wednesday, May 25, 2016

2:00 PM – 3:30 PM

A regular meeting of the Budget and Operations Committee (“Budget Committee”) of the Board of Directors of the Connecticut Green Bank (the “Green Bank”) was held on May 25, 2016, at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT.

1. **Call to order:** Commissioner Klee called the meeting to order at 2:09 p.m.

Members Attending: Rob Klee (Chair), Mun Young Choi (by phone), Norma Glover, and Catherine Smith

Staff Attending: Bryan Garcia, Cheryl Samuels, Bert Hunter, Eric Shrago, George Bellas, Mackey Dykes, Dale Hedman, Jane Murphy, Kerry O’Neill (by phone)

2. **Public Comments:**

There were no public comments.

3. **Approve Meeting Minutes for February 5, 2016 Regular Meeting:**

**Upon a motion made by Norma Glover, seconded by Commissioner Smith,
the Meeting Minutes were approved.**

Resolution #1

Motion to approve the minutes of the Budget and Operations Committee Regular Meeting for February 5, 2016.

4. **FY 2017 Comprehensive Plan – Budget and Targets:**

Bryan Garcia provided an introduction of Eric Shrago, Director of Operations, replacing Mackey Dykes. Bryan Garcia requested Eric Shrago share a bit on his background. Eric Shrago stated that he had been with Goldman Sachs for almost 10 years, doing Operations Planning and Strategy. He stated that he had done some Management Consulting and graduated from Columbia with a degree in Energy Policy in May 2015.

Norma Glover asked about the non-union members and their healthcare benefit premiums. George Bellas stated that some of the staff will be doubling their healthcare premiums starting July 1, 2016. Norma Glover asked if that will affect the budget line. George Bellas stated that it will reduce the amount of premiums that the Connecticut Green Bank pays.

Bryan Garcia provided an overview on the Comprehensive Plan, including contents and goals. He explained that the Comprehensive Plan has been updated for the next two years. He explained that it uses the same structure, but there are some additional sections and clarifications. He explained that they have added goals that support the efforts of the Joint Committee (i.e., Energy Efficiency Board and the Connecticut Green Bank) to the Comprehensive Plan.

Bryan Garcia discussed the Green Bank Network, and how this international group of Green Banks can learn from each other through sharing of best practices, as well as the Green Bank Playbook, and how to share information with other Green Banks. He also discussed the role of Green Bonds.

He explained that they will have the Comprehensive Plan in draft form for the June 17, 2016 Board meeting for review.

Norma Glover asked if this goes to DEEP. Bryan Garcia commented that the Comprehensive Plan is a statutory requirement of the Connecticut Green Bank and supports public policy implementation (e.g., Comprehensive Energy Strategy of DEEP).

Commissioner Klee stated that over the next six months or so there should be a new Comprehensive Energy Strategy. Bryan Garcia stated that despite the Comprehensive Plan being for FY 2017 and FY 2018, that the staff will be coming back next year to look at the current Comprehensive Plan and make adjustments as necessary. He stated that they will meet with DEEP staff to get their feedback.

Bryan Garcia discussed the goals for the organization. He clarified that the Connecticut Green Bank is looking to attract private capital investment to meet the clean energy public policy goals.

Commissioner Smith stated that they need to be thoughtful of supporting businesses in distressed communities as well as the housing market in those communities. She stated that they need to support a lot of different things, not just housing. She requested that the newly proposed fourth goal include this. Pending this adjustment, the Budget and Operations Committee was supportive of the four goals proposed.

Bryan Garcia then transitioned into a discussion on target setting. He stated that they are behind last year's stretch targets in terms of total investment, the reason being is that Eric Shrago noted that the federal ITC was extended – thus reducing the amount of clean energy deployed through the RSIP – and Bryan noted that the costs of clean energy have come down as well, compounding the lower number.

Eric Shrago provided an update on the FY2017 goals. He stated that there have been modest increases across the different sectors. He stated that there has been an increase in terms of the number of projects as well as the energy capital deployed in the Statutory and Infrastructure sector.

Commissioner Klee questioned when a saturation point will be hit. Bryan Garcia explained that the saturation point comes when they've maxed out the ability of labor to meet demand – as currently it would seem based on leading indicators that demand for solar PV from households outpaces the supply of labor to complete the work.

Commissioner Klee questioned if there is enough workforce to do this. Bryan Garcia stated that they look at the length of time it takes to get from application to then solar PV systems being turned on. He stated that he felt that saturation would be approximate 6 – 80 megawatts a year given the current pool of contractor labor.

Dale Hedman stated that they are looking at over 2,000 project per quarter.

Commissioner Smith questioned if the industry is expanding. Dale Hedman stated that the industry is trying to adjust. He stated that third parties are finding their way into the state and looking at ways to increase their business.

Bert Hunter stated that the challenge for the third party owners is to bring in local contractors. He stated that the local contractors are generally thinly capitalized, which is a risk to the third party owners that would finance the installation of these contractors' systems. Bryan Garcia stated that, on the other hand, some businesses are taking advantage of the third parties to expand.

Commissioner Smith questioned if the Green Bank should be doing more training to help the contractors get sub-contractors. Commissioner Klee stated that there are new things like the SHREC that can convince the third party owners that things will stabilize. Dale Hedman stated that third party owners are coming into the market with their own training programs. He stated that certain entities are buying systems from installers or having installers as partners. He stated that third party owners are looking for installers that are trained on how they do business. He stated that they want to use Connecticut Green Bank installers that are already in the market.

Bert Hunter questioned if the third party owners are still discriminating – i.e., favoring bigger installers versus the smaller ones. Dale Hedman stated that they are looking to do partnership agreements with all levels of installers.

Norma Glover asked if the majority of the companies are corporate or small businesses. Bryan Garcia stated that the majority of the volume is from the corporate (e.g., Solar City), but the majority of the installers are small to medium businesses (e.g., C-TEC, Ross, etc.). Kerry O'Neill explained that if Solar City is taken out of the equation it's the smaller companies that are positioned to grow. She stated that it's the mid-tier firms that they are focusing on – that have the best chance to scale their operations.

Eric Shrago discussed residential having a bit of a lower target for 2017. He explained that it's due the residential lease program not being offered as it was done in the past.

Bryan Garcia discussed the MMBTU target that was used in the past. He stated that they are proposing not setting an MMBTU target because the organization is not yet familiar enough with how to reasonably establish a target that includes energy efficiency. He

stated that they are trying to track actual, but not setting a goal and will look to do so future Comprehensive Plans.

Commissioner Smith questioned the leasing programs and why they were not applicable this year. Kerry O'Neill stated that the Green Bank had stopped taking applications in July of last year and that they will not continue in FY2017. The reason, she said, is that the fund had reached capacity and that with other options available in the market, the Green Bank determined that there was less need for it to play a role in the broader residential market. Bryan Garcia stated that the focus and transition has been to lease products in low and moderate income (LMI) through the PosiGen transaction.

Eric Shrago discussed the capital targets, where they're hitting them and where they're missing them. Bryan Garcia stated that costs have come down for residential solar PV. He stated that the demand should level off at about 60 – 65 megawatts.

Eric Shrago discussed the Statutory and Infrastructure sector stating that there has been an increase of projects to just over 8,500. He stated that there has been a significant increase in the targets for the Smart-E Loan in the Residential sector. He stated that a lot of that has to come through the CHIF/HES channel.

Kerry O'Neill stated that in FY16 the utilities had projected a lot of loans. The budget that the Committee is seeing for FY17 reflects more realistic targets. She stated that the Green Bank is trying to get CHIF on the Smart-E Loan Platform. She stated that they hope to have this completed by July 2, 2016. Bryan Garcia questioned if this metric will be tracked in the Joint Committee. Kerry O'Neill stated that yes, this is tracked in the sector memos. That said, Kerry O'Neill observed that the Smart-E Loan target will be difficult to achieve if the utility established CHIF/HES target isn't met.

Eric Shrago stated that they expect to see growth in the low income loans and leases as well as in multifamily term loans, which include multifamily predevelopment loans, citing that the predevelopment loans are a newer offering.

Kerry O'Neill stated that they are already seeing progress in increasing the penetration in the low income bands. She stated that they still have a lot of work to do, but they are capturing the credit challenged in the Smart-E Loan through CHIF/HES. Commissioner Smith questioned the multifamily predevelopment loan. Kerry O'Neill stated that it is essentially getting all of the predevelopment work done to get the project going to financing. She stated that there is no energy savings in these loans and that they will be short-term loans. They are structured to be no more than two years, with a balloon payment or payment when they get the term financing.

Eric Shrago discussed the tripling of C-PACE and the doubling of the CT Solar Lease Program. Norma Glover asked if there had been a slow down this year. Mackey Dykes stated that the Connecticut Green Bank has decreased the amount of C-PACE projects that they have funded. He stated that they have several initiatives for bringing on board second and third generation installers.

Eric Shrago discussed the thought of capturing what markets are being stimulated by the programs that the Connecticut Green Bank offers. Bryan Garcia stated that they're going to keep pushing money until they can see the market taking over sizable origination. Mackey Dykes stated that the Green Bank will always have a role in C-PACE since it is the only one that has the authority to put liens on the buildings with the cooperation of the municipalities. He stated that they do charge some administration fees for the services they perform as C-PACE administrator for third-party lenders. Norma Glover questioned if they can do the same thing with other programs. Bryan Garcia stated that the organization is, in fact doing that, providing the CT Solar Loan as an example, which is consistent with the program logic model of the Connecticut Green Bank.

Commissioner Smith questioned if there are any restrictions on interest rates that use the C-PACE lien. Bert Hunter stated that the Green Bank does not have any restrictions as of yet and that the Green Bank's well-advertised interest rates (via the C-PACE website) makes property owners aware of what rates are available. He also stated that there are many reasons why interest rates from other capital providers might be higher for certain transactions, and include funding for higher risk transactions that fall outside Green Bank underwriting standards. Other capital providers could be willing to underwrite these riskier transactions and, in return, may charge a higher interest rate to compensate them for the addition risk being assumed. While recognizing Mr. Hunter's comments, Commissioner Smith expressed a desire that interest rates be monitored so that property owners don't find themselves paying exorbitant interest costs. Mackey Dykes stated that the Green Bank sees every single transaction that comes through for a C-PACE lien and that if high rates are observed, staff will reach out to the capital provider to discuss the matter.

Commissioner Klee questioned the capacity and if there are enough contractors to develop the next generation of contractors. Mackey Dykes stated that it's going to take a while. He stated that, in effect, the program is returning to the early stages of C-PACE. He stated that they are developing what is called a Project Accelerator Service to teach new contractors and to bring them along.

Eric Shrago discussed the revenues stating that they have the same sources as previously. He stated that the RGGI auction proceeds have had a loss, but that they are seeing increased proceeds coming from the REC sales. George Bellas stated that they are looking at doubling the REC revenue. Commissioner Klee questioned if they are still projecting an uptick in REC sales that are not SHREC sales. Dale Hedman stated that yes, more of the systems are going into production. Commissioner Klee stated that they need to look at other ways that the Connecticut Green Bank can bring in other sources of revenue.

Eric Shrago provided a quick snapshot of the next Budget and Operations Committee meeting focused on investments and expenses, and stated that they are looking at doing what the organization does now, yet with improved efficiency – doing more with the same. He stated that they have technical tools in place to do things as efficiently as

possible. He stated that for FY17 they plan to keep a flat headcount and that potential space adjustments in Stamford are needed – nothing in Rocky Hill. He stated that they are using external partners for technology and that they are looking into setting up an intranet for information sharing and process automation.

The Budget and Operations Committee agreed to take-up the resolution at the next meeting of the Committee on June 7th.

5. Adjourn:

Commissioner Klee adjourned the Budget and Operations Committee Meeting at 3:39 p.m.

Respectfully Submitted,

**Rob Klee, Chairperson of the
Budget Committee**