

Deployment Committee of the Connecticut Green Bank

845 Brook Street

Rocky Hill, CT 06067

Tuesday, February 9, 2016

3:00-4:00 p.m.

A special meeting of the Deployment Committee of the Board of Directors of the Connecticut Green Bank was held on February 9, 2016 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT.

1. Call to order

Bryan Garcia Called the meeting to order at 3:02 pm. Deployment Committee members participating: Reed Hundt (by phone), Matt Ranelli (by phone) and Bettina Ferguson (by phone).

Staff Attending: Bryan Garcia, Bert Hunter, Genevieve Sherman (by phone), Mackey Dykes, Cheryl Samuels, George Bellas, Nick Zuba (by phone), Jane Murphy, and Ben Healey (by phone).

2. Public Comments

There were no public comments.

3. Consent Agenda

a. Approval of Regular Meeting Minutes for November 20, 2015

Upon a motion made by Reed Hundt, and seconded by Bettina Ferguson, the Committee voted unanimously to approve the Meeting Minutes from November 20, 2015.

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for October 16, 2015

4. Commercial and Industrial Sector Program Updates and Recommendations

Genevieve Sherman discussed two transactions that had been previously approved. She explained that they were coming to the Committee late because of the interconnection agreement with Eversource. She explained the interconnection process and how they required an upgrade to the utility infrastructure. She explained that they had increased the size of the solar PV system.

a. Approval of Contingency Increase of C-PACE Transactions

i. Hartford – 77 Leibert Road

Genevieve Sherman explained that this transaction has increased to \$550,000. She explained that the SIR had dropped slightly, but it is still positive. She

explained that it remains within the standard underwriting criteria. She explained that the mortgage is in the process of being paid off. She explained that the numbers assume the mortgage is fully cleared.

Matt Ranelli questioned the fact that there was not going to be any energy efficiency. Genevieve Sherman explained that the property owners are just focused on solar PV technology.

Matt Ranelli questioned the new language with Hannon Armstrong. He questioned if the expectation of placing the term loan with Hannon was just formal language. Genevieve Sherman explained that it is just because this project is older. It seemed much easier to close out on financing using the existing financing agreement with the Green Bank. She explained that Hannon has not yet approved this. She also explained that future underwriting goes to Hannon first. Bert Hunter explained that Hannon did a back test on all transactions that had been approved to date. He explained that each transaction has qualified under standard, expedited, or exception criteria. He explained that not one single transaction did not pass their criteria.

Matt Ranelli questioned if there can be a condition added on the owner providing proof that the mortgage has been paid off. Genevieve Sherman explained that yes, there would be no objection to that.

Resolution #2

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 \$551,167 construction and (potentially) term loan under the C-PACE program to VAG Development, LLC, the property owner of 77 Leibert Road, Hartford, CT (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 a total 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 Deployment Committee dated February 2, 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 February 9, 2016;

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 instrument.

ii. Hartford – 133 Leibert Road

Genevieve Sherman explained that the loan has increased to just under \$430,000. She explained that the solar PV system has been doubled in size. She explained that the LTV is under 80% and debt service is healthy as well, and falls within the standard underwriting criteria.

Resolution #3

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 \$429,095 construction and (potentially) term loan under the C-PACE program to Auto Corner, LLC, the property owner of 133 Leibert Road, Hartford, CT (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 a total 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 Deployment Committee dated February 2, 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 February 9, 2016;

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 instrument.

Upon a motion made by Bettina Ferguson, and seconded by Matt Ranelli, the Committee voted unanimously to approve Resolutions two and three.

5. Other Business

Genevieve Sherman discussed SIR and provided the definition. She explained that there are specific costs with certain renewable energies. She explained that with solar the inverter needs to be replaced after ten years. She explained that there is a similar situation with fuel cells after ten years, even though they have a 20 year life.

Genevieve Sherman advised that they have looked at all projects that have been closed in the last three years. She explained that the average savings to investment ratio has consistently been 1.3.

She explained that they did find that the SIR is dependent upon the property owner's stance. She explained that the projects fall within two buckets. One being when the owner prioritizes cash flow, which means a high SIR and when capital improvements are the focus there is a low SIR. She explained that there really is no clear trend. She advised that bundling of measures is pretty common and necessary to realize deep energy savings.

Reed Hundt questioned if there should be a minimum savings to investment ratio that is comfortably above 1. Genevieve Sherman explained that the Green Bank is trying to deploy clean energy, but also to do so in a way that does not

compromise the financial health of the underlying property. If the Green Bank only cared about deploying clean energy, there would be no SIR requirement at all, since the cost for a property to go 'zero-carbon' for example, are currently very high and would not be supported through energy savings over a 20 year period. So the mandatory SIR of 1 or greater provides a simple check to ensure that C-PACE financing is not used in such a way that financially encumbers the property from the perspective of cash flow. Furthermore, because the SIR is a simple metric for evaluating financial risk, it is not the only metric used to approve a transaction, but one of many. Reed Hundt asked if they all agreed that one is their minimum. Bert Hunter advised that per statute it is.

Matt Ranelli explained that there are two other factors that concern him. He asked if there was an evaluation as to how the projects are performing against the expected savings. The other concern is that for certain transactions, in the out years of the 20 year agreement that the savings are less than the payment. Genevieve Sherman explained that they are collecting data on the energy consumption of the projects that the Green Bank is financing. She explained that they're seeing the majority of projects performing well, but that there are a couple that are not. She explained that that doesn't mean that the energy improvements are not working, because there could be changes in the use of those properties that increase energy consumption, but that just from a measurement perspective the projects look very good.

Genevieve Sherman discussed the negative cash flow in the out years for certain transactions, particularly solar. She explained that the revenue streams for solar are less lucrative than they used to be. She explained that the utility tariffs for commercial businesses changed in 2015. She also explained that the net metering benefit for commercial customers has gone down as well. She explained that they are starting to see that over the last five years of projects they are seeing consecutive years of negative cash flow. She explained that Bert Hunter and his team have been working on a sculpted amortization to change the schedule by which principal and interest are repaid to have a higher overall payment in the early years.

Bert Hunter explained that the key benefit other than keeping the savings in excess of the debt service requirement is that in doing the sculpted amortization it brings in the weighted average life to a shorter term than would be on our standard mortgage repayment profile. He explained that since the Green Bank is charged for the cost of funds based on the weighted average life of the transaction, shorter term transactions will price at a lower rate. He explained that they are also able to pass along the reduction in interest rate to the property owner. He explained that it's a win all around. He also explained that they intend to create a tool to work with property owners to show this. Genevieve Sherman explained that the plan is to offer this under the Hannon facility. It will not be a requirement, but an option. She explained that they feel this is a really great option.

Bettina Ferguson questioned why it will be going out 25 years. Genevieve Sherman explained that after discussions with the Hannon facility they are okay with 25 year financing terms, only with technologies with useful life that extends over 25 years. Bryan Garcia explained that the team is open to ideas that may work.

Matt Ranelli questioned if they should make this a requirement instead of a choice. Bert Hunter explained that they are looking at the portfolio of transactions to see what the extent of negativity is in the out year transactions. He explained that they are still in the process of assessing that and that they are not ready to decide one way or the other. Genevieve Sherman explained they need to figure out how to manage the risks in the earlier years where there is better clarity into the market parameters that cause risk.

5. Other Business

6. Adjourn

Upon a motion made by Matt Ranelli, and seconded by Bettina Ferguson, the meeting was adjourned at 3:58 p.m.

Respectfully Submitted,

Reed Hundt, Chairperson