

845 Brook Street, Rocky Hill, CT 06067
T 860.563.0015
ctgreenbank.com



February 21, 2017

Dear Connecticut Green Bank Deployment Committee:

We have a regular meeting of the Deployment Committee scheduled on Monday, February 27, 2017 from 2:00 to 2:30 p.m. in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067.

On the agenda we have the following items:

- **Consent Agenda** – approval of the meeting minutes for September 29, 2016 and update on staff approvals of transactions less than \$300,000 and no more in aggregate than \$1,000,000.
- **Staff Transaction Recommendations** – we will have several transactions that we are recommending for your review and approval, including:
 - a. **Residential Sector – Single Family** – as a follow-up to the strategic retreat, to support the Governor’s Council on Climate Change efforts to expand the deployment of renewable heating and cooling and electric vehicles, we are proposing to direct ARRA-SEP funds currently being used for Loan Loss Reserves (LLR’s) to be redirected for Interest Rate Buydowns (IRB’s) to support lending through the Smart-E Loan.
 - b. **Residential Sector – Multifamily** – as a follow-up to the strategic retreat, we are proposing an expansion of the Low Income Multifamily Energy (LIME) Loan. This will provide further financing assistance to help affordable multifamily properties make clean energy improvements and reduce the energy burden on their tenants.

It should be noted, that these transactions will also strengthen our balance sheet and alleviate concerns raised at the strategic retreat by restricting cash towards contracted investments.

If you have any questions, comments or concerns, please feel free to contact me at any time. See you next week.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Garcia", with a long horizontal flourish extending to the right.

Bryan Garcia
President and CEO



AGENDA

Deployment Committee of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Monday, February 27, 2017
2:00-2:30 p.m.

Staff Invited: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Kerry O'Neill, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda* – 5 minutes
 - a. Approval of Regular Meeting Minutes for September 29, 2016*
 - b. Under \$300,000 and No More in Aggregate than \$1,000,000
4. Residential Sector Program Updates and Recommendations* – 20 minutes
 - a. Smart-E Loan and ARRA-SEP Fund Reallocation*
 - b. C4C LIME Loan and ARRA-SEP Fund Reallocation*
5. Other Business – 5 minutes
6. Adjourn

*Denotes item requiring Committee action

**Denotes item requiring Committee recommendation to the Board of Directors

Join the meeting online at <https://global.gotomeeting.com/join/616090973>

Or call in using your telephone:

Dial (872) 240-3412

Access Code: 616-090-973

***Next Regular Meeting: Tuesday, March 28, 2017 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT***



RESOLUTIONS

Deployment Committee of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Monday, February 27, 2017
2:00-2:30 p.m.

Staff Invited: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Kerry O'Neill, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda* – 5 minutes
 - a. Approval of Regular Meeting Minutes for September 29, 2016*

Resolution #1

Motion to approve the minutes of the September 29, 2016 Meeting of the Deployment Committee of the Connecticut Green Bank.

- b. Under \$300,000 and No More in Aggregate than \$1,000,000
4. Residential Sector Program Updates and Recommendations* – 20 minutes
 - a. Smart-E Loan and ARRA-SEP Fund Reallocation*

Resolution #2

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;

WHEREAS, the Governor’s Council on Climate Change has identified the need to support renewable heating and cooling and electric vehicles to support the implementation of the Global Warming Solutions Act goal of reducing 80 percent of greenhouse gas emissions from a baseline year of 2001 by the year 2050;

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, currently operating statewide, with 10 credit unions and community banks and one community development financial institution 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 currently includes \$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 Deployment Committee (the “Committee”) recommends approval 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.~~

Resolved, that the Green Bank Deployment Committee (the “Committee”) recommends funding for loan loss reserves and interest rate buydowns (“Credit Enhancements”) through the use of repurposed American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) program funds be approved for Green Bank’s Cozy Home Loans, Smart-E Loans, CT Solar Loan, and LIME Loan programs (the “Programs”) in amounts materially consistent with the Memorandum presented to the Committee dated February 21, 2017.

RESOLVED, that the Committee recommends that ARRA-SEP funds are approved for the Programs in the not-to-exceed set forth below and that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to use their best discretion to utilize the most effective use of the entirety of the ARRA-SEP Credit Enhancements in amounts not to exceed:

- a. \$28,793 for Cozy Home Loans;
- b. \$7,564,227 for Smart-E Loans;
- c. \$468,600 for CT Solar Loan; and
- d. \$300,000 for LIME Loan.

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the Smart-E Loan Program in the not-to-exceed amount of \$1,869,884 including \$1,110,608 of additional funds and \$759,276 of already approved FY17 budgeted funds;

RESOLVED, that the Committee recommend to the Board of Directors that the Green Bank funds be approved for Loan Loss Reserves for the CT Solar Lease Program in the not-to-exceed amount of \$3,500,000; and

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the LIME Loan Program in the not-to-exceed amount of \$325,000.

b. C4C LIME Loan and ARRA-SEP Fund Reallocation*

Resolution #3

WHEREAS, the Connecticut Green Bank (“Green Bank”) selected Capital for Change (“C4C”) under the Green Bank’s competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with C4C that led to the development of the C4C Low Income Multifamily Energy (“LIME”) Loan Program (the “Program”);

WHEREAS, on March 7th, 2014, the Green Bank’s Deployment Committee approved funding for the LIME Loan program in an amount not-to-exceed \$1,000,000 in capital financing, and \$300,000 for a loan loss reserve (“Credit Enhancements”) using repurposed ARRA-SEP program funds, or ratepayer funds, if necessary;

WHEREAS, at a regular meeting of the Green Bank Board of Directors (“Board”) held on April 25th, 2014, the Board approved the Program;

WHEREAS, at a regular meeting of the Board held on June 17th, 2016, the Board reauthorized the Program under updated lending guidelines including an additional \$325,000 of Loan Loss Reserve through repurposed ARRA-SEP program funds, or ratepayer funds, if necessary;

WHEREAS, C4C has developed a pipeline of potential projects that require additional capital for financing under the Program;

NOW, therefore be it:

RESOLVED, that the Deployment Committee approves the deployment of additional capital from the Green Bank balance sheet in an amount not-to-exceed \$2,500,000 to support the Program;

RESOLVED, that the \$2,500,000 in funds advanced under the Program, together with all other conforming loans made under the Program, shall be supported by the previously approved \$625,000 in Credit Enhancements;

RESOLVED, that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Program on such terms and conditions as are materially consistent with the memorandum submitted to the Green Bank Deployment Committee on February 21st, 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 as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

5. Other Business – 5 minutes

6. Adjourn

*Denotes item requiring Committee action

**Denotes item requiring Committee recommendation to the Board of Directors

Join the meeting online at <https://global.gotomeeting.com/join/616090973>

Or call in using your telephone:

Dial (872) 240-3412

Access Code: 616-090-973

***Next Regular Meeting: Tuesday, March 28, 2017 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT***



CONNECTICUT
GREEN BANKSM

Deployment Committee Meeting

February 27, 2017

Deployment Committee

Agenda Item #1

Call to Order

Deployment Committee

Agenda Item #2

Public Comments

Deployment Committee

Agenda Item #3

Consent Agenda

Consent Agenda

Resolution 1



- **Meeting Minutes** – approval of meeting minutes of September 29, 2016
- **Under \$300,000 and No More in Aggregate than \$1,000,000** – memo to update Deployment Committee on transactions reviewed and approved by staff and clearing the queue for future transactions consistent with Comp Plan and Budget.

Consent Agenda

No More in Aggregate than \$1,000,000



Project Name	Comprehensive Plan	Amount	Type
51 Gillett Street (Hartford)	C-PACE – EE	\$39,135	Benefit Assess.
4 New Park Road (East Windsor)	C-PACE – solar PV	\$245,252	Benefit Assess.
Total		\$284,387	

Approximately \$285,000 in loans

Deployment Committee

Agenda Item #4

Residential Sector

Program Updates and Recommendations

Deployment Committee

Agenda Item #4a

Residential Sector

Smart-E Loan and ARRA-SEP Fund Reallocation

Smart-E and ARRA-SEP Reallocations



Background

- Current allocations of ARRA-SEP across 5 residential programs:

Product	Not-to-Exceed ARRA-SEP Amount	Loan Loss Reserve Allocation	IRB Allocation	IRB Expended (as of 2/1/17)	# and Amount of Defaults to Date
Cozy Home Loan	\$28,793	\$17,193	\$11,600	\$11,600	0, \$0
Smart-E Loan	\$3,422,584	\$1,110,608	\$2,311,976	\$1,007,893	2, \$51,130
Solar Loan	\$468,600	\$300,000	\$168,600	\$168,600	0, \$0
Solar Lease	\$3,816,643	\$3,500,000	\$316,643	\$0	1, \$26,007
C4C LIME Loan	\$625,000	\$625,000	\$0	\$0	0, \$0
Total	\$8,361,620	\$5,552,801	\$2,808,819	\$1,188,093	3, \$77,137

Goal of Reallocations

- Expend ARRA-SEP dollars more quickly by reallocating funds in Loan Loss Reserves (“LLRs”) over to Smart-E Interest Rate Buydowns
 - There have been no “calls” on loss reserves as of yet, defaults are 0.11% of principal originated
- Backfill Program Loan Loss Reserves with Green Bank funds
- Follow-up from strategic retreat to support GC3 and RH&C market

Smart-E and ARRA-SEP Reallocations



Request – ARRA-SEP Reallocations

- Replace the Smart-E LLR with Green Bank funds and use the ARRA funds for Smart-E IRBs;
- Replace the CT Solar Lease LLR with Green Bank funds and reallocate all CT Solar Lease ARRA funds to Smart-E IRBs; and
- Replace a portion of LIME loss reserve (\$325,000 that is approved but not yet committed) with Green Bank funds and reallocate those funds to Smart-E IRBs

Request – Non-ARRA Green Bank Funds

- Use \$4,935,608 of Green Bank funds for LLRs across following programs:
 - \$1,110,608 for Smart-E (in addition to FY17 budget amount of \$759,276)
 - \$3,500,000 for CT Solar Lease
 - \$ 325,000 for LIME Loan

Smart-E and ARRA-SEP Reallocations



Outcome

- Obligate more CGB funds for LLRs
 - Going from \$0 to \$1.1M after BoD approval (*for current Smart-E obligations, and \$3.5M for CT Solar Lease and investor amendments*)
- Support the Comprehensive Energy Strategy and Governor’s Council on Climate Change and strategic electrification of renewable heating, cooling and transportation
- Pursue more aggressive Smart-E special offers for things like renewable thermal technologies, EV rechargers, solar bundles, near net-zero home energy retrofits

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP Loan Loss Reserve Allocation	ARRA-SEP IRB Allocation	Green Bank LLR Funds Required
Cozy Home Loan	\$28,793	\$17,193	\$11,600	\$0
Smart-E Loan	\$7,564,227	\$0	\$7,564,227	\$1,110,608
Solar Loan	\$468,600	\$300,000	\$168,600	
Solar Lease				\$3,500,000
C4C LIME Loan	\$300,000	\$300,000	\$0	\$325,000
Total	\$8,361,620	\$617,193	\$7,744,427	\$4,935,608

Smart-E and ARRA-SEP Reallocations



NOW, therefore be it:

RESOLVED, that the Committee recommends funding for loan loss reserves and interest rate buydowns (“Credit Enhancements”) through the use of repurposed American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) program funds be approved for Green Bank’s Cozy Home Loans, Smart-E Loans, CT Solar Loan, and LIME Loan programs (the “Programs”) in amounts materially consistent with the Memorandum presented to the Committee dated February 21, 2017.

RESOLVED, that the Committee recommends that ARRA-SEP funds are approved for the Programs in the not-to-exceed set forth below and that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to use their best discretion to utilize the most effective use of the entirety of the ARRA-SEP Credit Enhancements in amounts not to exceed:

- \$ 28,793 for Cozy Home Loans;
- \$7,564,227 for Smart-E Loans;
- \$ 468,600 for CT Solar Loan; and
- \$ 300,000 for LIME Loan.

Smart-E and ARRA-SEP Reallocations



RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the Smart-E Loan Program in the not-to-exceed amount of \$1,869,884 including \$1,110,608 of additional funds and \$759,276 of already approved FY17 budgeted funds.

RESOLVED, that the Committee recommend to the Board of Directors that the Green Bank funds be approved for Loan Loss Reserves for the CT Solar Lease Program in the not-to-exceed amount of \$3,500,000.

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the LIME Loan Program in the not-to-exceed amount of \$325,000.

Deployment Committee

Agenda Item #4b

Residential Sector – Multifamily

C4C LIME Loan Capitalization

LIME Capitalization



Background

- Originally developed as \$3M Low Income Multifamily Energy Loan Program (including \$1M Green Bank program loan & \$300K ARRA-SEP LLR)
- Program Statistics to-date:

	Closed	Approved
No. of Projects	18	4
\$ Financing	\$6.1M	\$1.9M
No. of Units	1,292	263

- Current pipeline of \$1.7M across 10 projects / 398 units

Request

Additional \$2.5M of Green Bank capital to lend to C4C to support pipeline

- Loan terms: ■■■, up to 20 years
 - Funds held in segregated account
 - C4C to pay a monthly commitment fee on funds not deployed/in repayment at term interest rate
- Use of funds: LIME loans, same terms as previously approved by Board

LIME Capitalization



LIME Loan – Closed Financings through Jan 31, 2017

Municipality	Project Cost	Loan Amount	Units	Solar PV Size	Projected Annual	Description of Measures
				(kW)	Savings/Income	
Bridgeport	\$ 110,000.00	\$ 102,000.00	24	N/A	\$ 10,908.00	Hydronic Heating System
Manchester	\$ 642,000.00	\$ 618,617.67	82	N/A	\$ 79,019.25	Lighting, Boilers, Roof, Insulation
East Windsor	\$ 420,000.00	\$ 250,000.00	120	N/A	\$ 69,534.00	Gas Boilers
Waterbury	\$ 540,000.00	\$ 195,000.00	113	N/A	\$ 35,774.00	Boilers, Windows, Insulation
Farmington	\$ 65,000.00	\$ 41,600.00	140	N/A	\$ 9,197.00	Lighting
Hartford	\$ 25,000.00	\$ 25,000.00	18	N/A	\$ 4,600.00	Electrical System Upgrade
Thompson	\$ 600,000.00	\$ 450,000.00	12	180.0	\$ 47,047.00	Solar PV System
Milford	\$ 496,000.00	\$ 353,400.00	175	157.5	\$ 35,447.00	Solar PV Systems
Bridgeport	\$ 236,800.00	\$ 167,200.00	30	73.7	\$ 16,096.00	Solar PV Systems
Scattered Sites	\$ 345,280.00	\$ 243,800.00	17	107.9	\$ 23,470.00	Solar PV Systems
Bridgeport	\$ 256,000.00	\$ 184,320.00	20	80.0	\$ 17,401.00	Solar PV Systems
Granby	\$ 595,320.00	\$ 416,000.00	32	174.8	\$ 41,676.00	Solar PV Systems
Bridgeport	\$ 834,900.00	\$ 584,000.00	303	253.0	\$ 60,860.00	Solar PV Systems
Chester	\$ 727,600.00	\$ 510,000.00	23	214.0	\$ 51,478.00	Solar PV Systems
Middletown	\$ 668,571.00	\$ 441,000.00	40	198.9	\$ 37,160.00	Solar PV Systems
Stamford	\$ 324,752.00	\$ 296,000.00	18	N/A	\$ 44,532.56	Lighting, Weatherization, Water, Roof, Heat Pumps, Safety
Middletown	\$ 1,071,422.00	\$ 960,000.00	89	N/A	\$ 98,479.00	Lighting, Boilers, Heat Pumps, HVAC, Roof Coating
Hartford	\$ 297,000.00	\$ 297,000.00	36	N/A	\$ 33,259.00	Boilers, Water Heaters
	\$ 8,255,645.00	\$ 6,134,937.67	1,292	1,439.8	\$ 715,937.81	

LIME Capitalization



NOW, therefore be it:

RESOLVED, that the Deployment Committee approves the deployment of additional capital from the Green Bank balance sheet in an amount not-to-exceed \$2,500,000 to support the Program;

RESOLVED, that the \$2,500,000 in funds advanced under the Program, together with all other conforming loans made under the Program, shall be supported by the previously approved \$625,000 in Credit Enhancements;

RESOLVED, that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Program on such terms and conditions as are materially consistent with the memorandum submitted to the Green Bank Deployment Committee on February 21st, 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 as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

Deployment Committee

Agenda Item #5
Other Business

Deployment Committee

Agenda Item #6
Adjourn

**Deployment Committee of the
Connecticut Green Bank**
845 Brook Street
Rocky Hill, CT 06067
Thursday, September 29, 2016
9:00 – 11:00 a.m.

A regular scheduled meeting of the Deployment Committee of the Board of Directors of the Connecticut Green Bank was held on September 29, 2016 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT.

1. Call to order

Reed Hundt called the meeting to order at 9:03 a.m. Deployment Committee members participating: Reed Hundt (by phone), Bettina Bronisz, Tracey Babbidge as designee for Commissioner Klee and Pat Wrice. Reed asked Bryan Garcia to chair the meeting up to Agenda Item #5.

Staff Attending: Bryan Garcia, Bert Hunter, Kerry O'Neill (by phone), Brian Farnen, Jane Murphy, George Bellas, Mackey Dykes, Dale Hedman (by phone), Eric Shrago, Craig Connolly, Loyola French, Andrea Janecko, Ed Kranich, Robert Schmitt, Bill Colonis, and Selya Price.

Others Attending: Joseph Schwartz, Vanice Newton, , David Newton, , Harsh Luthra, Robert Pero, Mike Trahan, Kapil Luthra, Priscilla Vorel, Nicola Distasio, Devin Langan, Brad Mondschein,

Bryan Garcia discussed public comments and stated that there would be two opportunities for public comment, one at the regular time at the beginning of the meeting and one after the testimony related to the BeFree appeal hearing.

2. Public Comments

A member of the public, David Newton discussed his experience with BeFree, stating that they were the most responsive and that they were excellent at keeping their agreements, in his experience.

Reed Hundt questioned Mr. Newton, inquiring as to whether or not he had been asked to make this presentation by BeFree or its lawyers. Mr. Newton stated that he was advised of this situation via television, but previous to that he had offered an unsolicited presentation. He stated that it is through his own sense of equity that he is providing this presentation today. He stated that he has not talked to counsel nor has he had any recommendations regarding his testimony.

3. Consent Agenda

a. Approval of Regular Meeting Minutes for February 9, 2016*

Bryan Garcia discussed the approval of the meeting minutes from the February 9, 2016 minutes as well as the increase in expansion on the Hartford, 900 Asylum Ave, C-PACE project.

Upon a motion made by Bettina Bronisz and seconded by Pat Wrice, the Committee voted unanimously passing resolution 1 and 2.

Resolution #1

Motion to approve the minutes of the February 9, 2016 Regular Meeting of the Deployment Committee of the Connecticut Green Bank.

b. Under \$300,000 and No More in Aggregate than \$1,000,000

c. Approval of Contingency Increase of C-PACE Transaction*

i. Hartford – 900 Asylum Ave

Resolution #2

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the “Act”), the Connecticut Green Bank (the “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 \$704,535 construction and (potentially) term loan under the C-PACE program to HARC, Inc., the building owner of 900 Asylum Ave, Hartford, 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 Act, 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 duly authorized officer of the Green Bank is authorized to execute and deliver the 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 Deployment Committee dated September 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 Deployment Committee;

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.

4. Infrastructure Sector Program Updates and Recommendations

Bryan Garcia discussed program updates and recommendations. He stated that they are half way to the policy goal of 300 Mega Watts by 2022. He stated that costs are down about 35% since 2011. He stated that they are looking at about \$3.45/watt today. He stated that this is great for consumers and that contractors are competing for business. He stated that incentives through the Residential Solar Investment Program have declined by over 80% since 2011. He stated that there has been a reduction in incentives as they transition to working directly with contractors. He stated that they are deploying about the same amount of Solar PV compared to surrounding states on a watt per capita basis. He stated that it is saving nearly 3.5 million Mega Watt hours over the life of the solar system, which is a reduction of 3.6 billion pounds of CO2 emissions.

Bryan Garcia went on to discuss the study done by UConn as to how solar is reaching all of the income classes across the state, specifically low to moderate income homes. Kerry O'Neill explained that this was presented back in December of 2014, the progress that had been made. She stated that at that time there was quite a gap in the income bands. She stated at that time they were only making about 1/10th the penetration rate in the lowest income band as they were at the higher income bands. She stated that there is still a gap, but it is currently being reduced. She stated that they still need to make more progress. She stated that PosiGen is using the PBI that was created and tiered toward low to moderate income households. She stated that there is still more work to be done, but they are getting this information out to the installers to let them know that there are great customers in the low to moderate income bands.

a. Residential Solar Investment Program – Steps 11 through 13*

Bryan Garcia discussed the Residential Solar Investment Program, Steps 11 through 13. He stated that in the past they have offered incentives that gradually step down over time. He stated that they are keeping Step 11 the same as in Step 10 and bringing it down in Step 12 and 13 by 5 – 10% more. He stated that for the low income PBI, they will reassess in Steps 12 and 13 to close the gap, and see more solar in low to moderate income census tracts. He stated that they recover the value of the incentives through the sale of Solar Home Renewable Energy Credits. He stated that it will all come back to the Green Bank over time.

Tracy Babbidge questioned why it is being kept level now. Bryan Garcia stated that the overall value of the incentive per project is roughly \$2,500, about 8% of the value of the system – and the equivalent of a \$20-\$25 ZREC on a present value basis. He stated that they want the market to transition away from the Green Bank over time as they approach the 300 MW policy target.

Bryan Garcia discussed Sustained Orderly Development. He stated that this is a term that had been included in original statutes in 2011. He explained that it's trying to ensure that the development of the solar industry is sustained over time and to ensure that the industry will be able to sustain itself. This term holds public policy relevance and may serve as a pathway for the Connecticut Green Bank and the electric utilities to work towards a special incentive that combines energy efficiency with solar PV.

Bryan Garcia stated that they have been working hard with the utility partners through the Joint Committee. He stated that there is a lot of language in the Comprehensive Plan regarding the shared goals between the organizations. He stated that by partnering with

the utility on separate tracks for the RSIP, a track that would include efficiency first (i.e., Home Energy Solutions assessment), and then seek to deliver deeper energy efficiency, then solar PV would further enhance the offering. The goal of the state from a climate change perspective is to reduce greenhouse gases. He explained that transportation is about 40% of the emissions That's in the light to medium duty vehicle category. He stated that how we heat and cool our building is also a large emitting sector, nearly equal to the electric sector itself.

He presented scenarios that look at electric vehicles (EVs) and renewable thermal technologies (RTTs) powered with solar PV as a means of lowering energy prices (i.e., cheaper) and reducing greenhouse gas emissions (i.e., cleaner). There is an opportunity to combine solar PV with energy efficiency, EV, and RTT to deliver cleaner and cheaper energy sources to Connecticut residents.

Bryan Garcia stated that they are working with DEEP to come up with a plan to accelerate more electric vehicle purchasing.

Bryan Garcia discussed Air Source Heat Pump systems, powered by Solar PV. He explained that they provide cleaner and cheaper sources of energy than electric and fuel. He also discussed Ground Source Heat Pumps, powered by Solar PV, stated that they also, provide cleaner and cheaper sources of energy than electricity, oil, and natural gas. He stated that there is a larger upfront investment for these. He stated that over time the cost would be better. He stated that his is a big market as it would be displacing heating oil.

Pat Wrice discussed the messaging of these types of pump systems. Bryan Garcia stated that they are working on how to communicate it. Tracy Babbidge stated that a good opportunity would be the Governor's Council on Climate Change and working with the Roundtable on Climate and Jobs to do outreach to stakeholders.

The resolution was discussed, but it was not proposed for approval.

5. BeFree Appeal

Brian Farnen provided a background on BeFree. He stated that following an investigation, it was found that BeFree violated Section 411, pursuant to the RFQ, the Green Bank provided sanctions. He stated that BeFree appealed the sanctions. He stated that the Deployment Committee has reviewed the appeal. He stated that BeFree will be limited to a 30 minute presentation. The Green Bank will be limited to 15 minutes. He stated that the Committee may ask any questions.

Attorney Brad MondscheinMondschein stated that Be Free is requesting 50 – 60 minutes for their presentation. Reed Hundt asked if there had been a limit put on the amount of written material that BeFree could enter. Brian Farnen and Brad Mondschein Mondscheinboth stated no, there had not been any limits placed on written material. Reed Hundt then questioned how much time BeFree had been allotted to prepare for today's meeting. Brad Mondschein stated that they were advised approximately 30 days prior. Reed Hundt questioned why they were not able to put more information in writing and limit their presentation to the allotted 30 minutes. Brad Mondschein stated that it is important that the Committee be verbally informed by the Luthra's. He stated that he didn't feel that the simple statements that were going to be made by the Luthra's could be put into writing.

Reed Hundt stated that he was not inclined to allot any additional time to the Luthra's. Tracy Babbidge stated that it's difficult to determine whether or not additional time is necessary without hearing what the unresolved issues may be. She stated that she would allow it to go beyond the allotted 30 minutes if necessary. Pat Wrice stated that she agreed with Tracy, but if it becomes redundant they should stick to the original 30 minutes. Bettina Bronisz also agreed. She stated that this is a serious matter and she would like to afford them the time needed. Reed Hundt agreed and stated that they would have additional time to explain if it were needed.

Brad Mondschein stated that they had come to conclusion that BeFree did not do anything intentionally wrong. He stated that the installers made up their own packing slips and delivered them to the Green Bank, as if things had been delivered to the homeowners. He stated that the HOPBI Program took the place of the EPBB Program. He stated that the installers were advised to not worry, nothing was going to change. He stated that they believe that this is a game, against BeFree. He stated that BeFree questions the processes and that they are not silent bystanders, and for that reason, they are being punished.

Kapil Luthra discussed BeFree's background and that they had been doing business with the Green Bank since 2008. He went into detail about the different ways that their business has been using green energy. He advised that BeFree has over 600 happy customers. He stated that BeFree also changed the five-year warranty for workmanship, to a 12-year warranty.

Kapil Luthra discussed issues with the Green Bank, stating that each time BeFree dropped their price, the Green Bank would drop the rebate, which in turn would slow the market. He stated that BeFree has the most experience in the state with battery technology. He stated that they have been leaders in reducing soft costs. He stated that they were the first to get the permit fees capped in Durham. In Haddam they were able to get the permit fees removed all together. He stated that this encouraged more installs, which created more jobs.

Reed Hundt stated that there was no discussion regarding any of the violations that were charged by the Green Bank. He suggested that these things, in the interest of time, be discussed.

Kapil Luthra went on to discuss the processes that BeFree handled with the Green Bank. He stated that when they had ordered items in bulk, they had asked the Green Bank if they could have things delivered to one site. He stated that that was approved, and that they could submit 60% rebate forms when the items were delivered. He stated that they were advised that they could submit 70% rebate forms when the items were delivered to his facility. He stated that they were advised that the homeowner no longer needed to sign. He stated that since 2012 the Green Bank had forms that were not clearly defined.

Kapil Luthra stated that he had emailed Bryan Garcia regarding the HOPBI Program. He stated that he advised that the homeowner should be the one dealing with the rebate form, not the contractor. He stated that in a 2014 meeting with the Green Bank that Kerry O'Neill had stated that they would be looking at a solution to implement the rebate program.

Kapil Luthra stated that BeFree had advised the Green Bank that they order parts to be delivered to their warehouse. He stated that the Green Bank approved this process. He stated that this is the issue with the 66 packing slips, and that now they do not allow that to happen under the HOPBI Program. He stated that BeFree was not advised of this new practice until one year after the program had ended.

Kapil Luthra stated that no Green Bank money was used to pay for parts that were ordered by BeFree upfront. He stated that BeFree hired a new employee specifically to handle all of the Green Bank processes. He stated that the Green Bank trained this employee on their processes. He stated that there is no email that the Green Bank had any issues with bulk ordering. He stated that BeFree always paid prior to filling out any rebate forms. He stated that it took the Green Bank 6 – 8 months to process things, because the process was so complicated.

Reed Hundt discussed the program violations, stating that the first one is concluding, by the Green Bank that BeFree submitted fraudulent packing slips. He requested that Kapil Luthra speak directly to that. Kapil Luthra stated that Dale Hedman made this accusation one year after the program had ended. He stated that the Green Bank was aware of the bulk order submissions and that they did not reject the submissions.

Brad Mondschein stated that the bulk packing slips were accepted as part of the EPBB Program even though the forms indicated otherwise. He stated that BeFree was advised to ignore that fact and were never told to do it that way.

Reed Hundt requested the names of the Green Bank staff involved. Brad Mondschein stated that Ed Kranich's email acknowledges the submission of the bulk packing slips. Kapil Luthra stated that in 2012 they had asked if they could submit all of the bulk packing slips, and both Ed Kranich and Dale Hedman were on that email.

Kapil Luthra went on to discuss the account that the Green Bank had created for the HOPBI working capital. He stated that there had never been any transactions on the account, until June 2016. He stated \$614,000 went into the account and then went back out.

Kapil Luthra went on to discuss the accusations of not getting permits for work performed in Killingworth. He stated that the Town of Killingworth was retaliating against BeFree.

Brad Mondschein stated that they would submit the Customer Complaints PowerPoint for the record.

Kapil Luthra went on to discuss customer complaints, stating that they were not actual customer complaints. He stated that they were actually customers wanting out of their contracts.

Reed Hundt suggested that customer complaints be written and submitted into record.

Brian Farnen provided the rebuttal. He stated that there were 66 times that BeFree failed to follow the Green Bank's policies and cited the submission of falsified documents. He also stated that there had been numerous complaints regarding BeFree from Eversource and towns.

Brian Farnen provided a background on the HOPBI RSIP incentive and the HOPBI Working Capital Loan. He stated that the impact on the violations are that the Green Bank overpaid BeFree.

Brian Farnen stated that the emails that BeFree are referring to, do not pertain to the HOPBI Working Capital Loan Program. He stated that the Green Bank's instructions are very clear. He stated that BeFree continues to cite irrelevant information and demonstrates that they do not understand the Green Bank's program requirements and rules.

Reed Hundt asked what it is that Brian Farnen sees as the act of fraud. Brian Farnen stated that BeFree lead the Green Bank to believe that the panels were on site of the homeowners, when in fact, they were not. Reed Hundt questioned how this information was obtained. Ed Kranich stated that the Green Bank learned this information when a change order was later submitted that different equipment was going to be installed and through follow-up with homeowners once we became aware of the issue.

Pat Wrice questioned how common it was for contractors to buy in bulk. Brian Farnen stated that the problem does not lie with buying in bulk as this is permitted by solar contractors. The problem lies with the Working Capital Loan program requirements and whether or not the project meets the standards to be deserving of the Working Capital Loan.

Brian Farnen stated that the Green Bank instructions require that materials be on site.

Ed Kranich stated that the email that BeFree is citing for bulk delivery of panels to the BeFree warehouse do not pertain to the HOPBI Working Capital Loan. He stated that the Green Bank never permitted rebates or any other types of payments when materials were ordered, only when materials are delivered. He stated that all of the paperwork submitted by BeFree appeared to be correct. They had no reason to believe that equipment was not at the locations until they received the change orders.

Tracy Babbidge questioned the Certification Statement on the form. Brian Farnen stated that the form states that the materials are sent to the homeowners site.

Brian Farnen stated that there were consumer complaints that BeFree would change equipment and would not advise anyone of the change until the equipment was installed. He stated that this is not allowed. He stated that there must be a change order prior to any installation.

Brian Farnen summarized the issues. Brian stated that we heard a lot this morning from BeFree but unfortunately much of the information they presented was not relevant as it was outside the scope of this appeal. Brian stated that BeFree was deflecting from the reasons for why they are here today. Brian explained that it was beyond dispute that BeFree improperly submitted packing slips to receive working capital loans they were not entitled to. Brian referenced that the failure to follow contractor processes not only applied to the RSIP but all three additional programs - CT Solar Lease, Smart-E Loans, and solarize. Brian explained the program violations with these three additional programs.

Brian referred to the established record and the excessive complaints from consumers, that BeFree is an outlier when it comes to consumer complaints and provided various examples of such complaints.

Lastly, Brian cited and provided background on the numerous complaints from town officials and Eversource, and that these complaints related to failure to follow established required protocols and processes which is a consistent theme with BeFree. He further explained permitting and safety issues with BeFree.

Brian Farnen requested that BeFree's appeal be denied because of all the reasons set forth in the record, and as summarized in the presentation and slides. Citing that they have had many chances to do things correctly, take remedial action and learn from past mistakes. Brian stated that BeFree should be terminated from all Green Bank programs. Reed Hundt questioned if this would be for a specific amount of time or forever. Brian Farnen advised that it is for a one year

term, with the right to reapply. The one year will begin from the date of the determination by the Deployment Committee. Being reaccepted into the Green Bank's programs is contingent upon all open issues with BeFree being closed out, they follow all written procedures for any remaining work that needs to be accomplished and any funds owed to the Green Bank would be paid before BeFree would be allowed back into the Green Bank's programs. Selya Price stated that they do not have the final number on the amount that BeFree owes to the Green Bank but the Green Bank will work to finalize that number over the next few weeks.

In regards to additional time requested by BeFree, Reed Hundt stated that BeFree requested 50 – 60 minutes for their presentation and that they were afforded that time. He stated that they are receiving their due process and they were able to provide any information/documentation that wanted to on the record as part of their appeal.

Mike Trahan of Solar Connecticut provided a statement. He stated that BeFree is more of a market disrupter and that there needs to be more companies like BeFree. He stated that if installers don't push back, the solar industry will have a difficult time.

Reed Hundt questioned if Mike Trahan had seen the email from Ed Kranich and if in his opinion, he had approved. Mike Trahan stated that he could not answer that, but that he doesn't feel that the actions of BeFree rise to the level of expulsion. He stated that BeFree has been one of the consistent solar contractors in Connecticut.

Bettina Bronisz stated that she understands that people are confused, because of all of the procedural changes due to different statutes, etc. Brian Farnen stated that there were only two companies, BeFree being one of them, that were confused on what the Green Bank's program requirements are.

Pat Wrice asked what percentage of BeFree's business comes from the Green Bank. Brian Farnen stated that they get much of their business through Solarize. Brad Mondschein stated that it's almost 100% and that they rely on the Green Bank incentives.

George Bellas provided a background on the working capital loan. He stated that he advances the loan proceeds into the company's account, when a loan document is executed. He stated that there was a loan document executed with BeFree. He stated that the incentive is the mechanism for repayment.

Selya Price stated that HOPBI loan funds are issued to installers bank accounts so that installers can have use of those funds. She stated that they don't get incentives until the projects are actually completed. She stated that the Webster account and the HOPBI Loans were created to benefit the installers. She stated that BeFree submitted when they ordered materials in bulk to be shipped to BeFree's warehouse, not when materials were delivered at the customer's home, which is against the HOPBI working capital loan program requirements.

Reed Hundt asked if Selya Price had seen the email that BeFree is saying what they did is acceptable. Brad Mondschein stated that the Green Bank was aware and did nothing to change things. Selya Price stated that the email refers to the CT Solar Lease Program, which is a totally different program.

Brad Mondschein stated that BeFree was not advised that they had done anything wrong until 6 – 8 months after that email. Brian Farnen stated that they were not aware and could not have been

aware that BeFree was doing anything wrong until later. It was not until BeFree submitted numerous change orders did the Green Bank staff learn that BeFree was improperly requesting HOPBI working capital loans.

Bettina Bronisz questioned if they are now conforming. Brad Mondschein stated that they are conforming. Selya Price stated that it's not just this one HOPBI incident. She stated that they are seeing a consistent pattern of BeFree not conforming to the processes of the Green Bank across various program platforms.

Bettina Bronisz questioned if the utilities are having issues with BeFree as well. Selya Price stated that the issues with the utilities have to do with battery backup and the utility's PURA approved interconnection guidelines. She stated that BeFree cannot decide what to include and what not to.

Robert Pero discussed at a high level the Department of Consumer Protection action against BeFree and the fact that there is a hearing scheduled involving consumer complaints against them. The hearing is in regards to the Home Improvement Act.

Priscilla Vorel, who works for BeFree commented on their customer service practices.

In response to a question, Brian Farnen stated that there had been a sanction against BeFree a year ago. Bettina Bronisz questioned what the sanction was a year ago. Brad Mondschein stated that they had settled with Green Bank and, both the Green Bank and BeFree had agreed to give two towns 5KW of free solar. He stated that it was a completely different issue.

Brian Farnen stated that there are three options for the Committee. They can deny the appeal, grant the appeal, or deny the appeal and list out the sanctions that they would agree to. Reed Hundt suggested a fourth option. Reed suggested that both parties use the time until 5pm today to come up with a compromise. Brad Mondschein stated that they have had settlement negotiation discussions and that he felt that they were pretty close to getting this issue resolved. He stated that the feedback from the Committee should help. Brad Mondschein stated that he and BeFree would be happy to sit down and continue discussions with the Green Bank.

Resolution #4

RESOLUTION TO [*Select One*: DENY / GRANT / GRANT IN PART AND DENY IN PART] APPEAL

WHEREAS, following an investigation, the Connecticut Green Bank determined that BeFree Green Energy LLC ("BeFree") violated the provisions of Section 4.11 of the Green Bank Eligible Contractor and System Owner RFQ (the "RFQ"); and

WHEREAS, pursuant to Section 4.11 of the RFQ, the Connecticut Green Bank imposed sanctions against BeFree; and

WHEREAS, the findings of Connecticut Green Bank and resultant sanctions are set forth in letters to BeFree dated February 29, 2016 and August 15, 2016; and

WHEREAS, BeFree has appealed the sanctions of Connecticut Green Bank to the Connecticut Green Bank Deployment Committee (the "Committee"); and

WHEREAS, the Committee heard BeFree’s appeal at its September __, 2016 meeting.

NOW, THEREFORE, BE IT RESOLVED that:
OPTION ONE (DENYING APPEAL):

The appeal of BeFree Green Energy LLC is denied. The findings of Connecticut Green Bank and resultant sanctions against BeFree are affirmed, and shall stand as forth in the August 15, 2016 letter from the Connecticut Green Bank to BeFree.

OPTION TWO (APPEAL GRANTED):

The appeal of BeFree Green Energy LLC is granted. The findings of Connecticut Green Bank and resultant sanctions against BeFree, which are set forth in the August 15, 2016 letter from the Connecticut Green Bank to BeFree, are hereby vacated.

OPTION THREE (MODIFYING):

The appeal of BeFree Green Energy LLC is denied in part and granted in part. The findings of Connecticut Green Bank and resultant sanctions against BeFree, which are set forth in the August 15, 2016 letter from the Connecticut Green Bank to BeFree, shall be modified to include the following additions and/or substitutions.

As to the factual findings, the Committee finds as follows: _____

As to the applicable sanctions, the Committee modifies the sanctions against BeFree as follows:

6. Other Business

7. Adjourn

Upon a motion made by Bettina Bronisz and seconded by, Pat Wrice, the meeting was adjourned at 12:26pm.

Respectfully Submitted,

Reed Hundt, Chairperson



Memo

To: Board of Directors of the Connecticut Green Bank – Deployment Committee of the Connecticut Green Bank

From: Bryan Garcia (President and CEO)

Date: February 27, 2017

Re: Approval of Funding Requests below \$300,000 – Update

At the July 18, 2014 Board of Directors (BOD) meeting of the Connecticut Green Bank (“Green Bank”) it was resolved that the BOD approves the authorization of Green Bank staff to evaluate and approve funding requests less than \$300,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Comprehensive Plan, approved within Green Bank’s fiscal budget and in an aggregate amount not to exceed \$1,000,000 from the date of the last Deployment Committee meeting. This memo provides an update on funding requests below \$300,000 that were evaluated and approved. During this period, 2 projects were evaluated and approved for funding in an aggregate amount of approximately \$88,185. If members of the board would be interested in the internal documentation of the review and approval process Green Bank staff and officers go through, then please request it.

Project Name: Gale McNair LLC, 51 Gillett Street, Hartford

Amount: \$39,135 +/-10% (CGB portion \$3,913.50 after future tranche)

Comprehensive Plan: CPACE – Hannon Facility

Description

The 7,028 square foot mixed use building at 51 Gillett Street, Hartford, CT – originally constructed in 1890 – comprises the Gale McNair LLC Property (the “Property”). Gale McNair LLC acquired the Property in 2014. The Property includes an office tenant as well as a number of rental apartments.

The proposed investment is a C-PACE transaction under which the Connecticut Green Bank (“Green Bank”) would provide construction financing (at a per annum 5.0% interest rate) and a 10-year term loan commitment (at a per annum 5% interest rate), in the amount of \$39,135 to support a total heating and cooling HVAC upgrade including rooftop air conditioning units,

high efficiency boilers, a LED lighting upgrade. The Green Bank intends to sell its investment to HA C-PACE LLC, a C-PACE facility established by Hannon Armstrong and the Green Bank. The Green Bank, as a subordinated lender to HA C-PACE LLC, would ultimately be responsible for 10% of the financing, amounting to \$3,913.50. The remaining 90% would be funded by Hannon Armstrong. Notwithstanding the foregoing, the Green Bank intends to fund 100% of the disbursements during the construction period for logistical ease, and all funding in excess of the Green Bank's 10% share will be repaid by a senior advance post-construction.

[REDACTED]

[REDACTED]

Taking all of these factors into consideration, along with an SIR of 1.49x, staff recommends the project for approval, pursuant to the Project Approval Form for projects under \$300,000.

Project Name: McCuda – 4 New Park Road, East Windsor
Amount: \$245,252 (CGB portion \$49,050.40 +/-10%)
Comprehensive Plan: CPACE – Hannon Facility

Description

The property at 4 New Park Road is a 16,800 square foot office building (the "Property") the headquarters of The Blake Group ("Blake" or the "Company"), a water and thermal energy systems manufacturer that traces its history to 1930. The Property is owned by McCuda, LLC ("McCuda" or the "Borrower"), a real estate holding company that shares common ownership with The Blake Group and is considered a related entity.

The proposed investment is a C-PACE transaction under which the HA C-PACE LLC would provide construction financing in the amount of **\$245,252**, at a per annum 5.0% interest rate, converting to a 10-year term loan post construction, at an interest rate of 5.0% per annum. The financing will support a 113.64 kW solar PV system. The Connecticut Green Bank (the "Green Bank"), as a subordinated lender to HA C-PACE LLC, would fund up to 20% of the financing, amounting to \$49,050.40. The remaining 90% would be funded by Hannon Armstrong. Notwithstanding the foregoing, the Green Bank may advance above its 20% portion for logistical ease, and any funding in excess of this 20% will be repaid by a subsequent senior advance.

The project's **SIR** over the useful life of measures is **2.22** and is expected to generate total gross savings of \$1,167,644 over the effective useful life. [REDACTED]

[REDACTED]

[REDACTED]

Taking all of these factors into account, staff recommends the project for approval, pursuant to the Project Approval Form.



Memo

To: Connecticut Green Bank Deployment Committee

From: Kerry O’Neill, Vice President, Residential Programs

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Eric Shrigo, Director of Operations; George Bellas, VP Finance and Administration

Date: February 21, 2017

Re: ARRA-SEP Update and Proposal to Reallocate Funds to Smart-E Loan Program

Purpose

The purpose of this memorandum is to request approval from the Connecticut Green Bank (“Green Bank”) Deployment Committee to reallocate American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) funds out of Loan Loss Reserves (“LLR”) in several residential products and into Smart-E Interest Rate Buydowns (“IRB”). The ARRA-SEP LLRs would be replaced with Green Bank funds. The goals of reallocating ARRA funds into IRBs is to expend these funds more quickly while catalyzing new markets to support the Governor’s Climate Change Council’s efforts to reduce GHG emissions. Given the excellent portfolio performance we’ve seen to date – there have been no draws on loss reserves as of yet.

Background:

The Deployment Committee and the Board of Directors have previously approved \$8,361,620 of ARRA-SEP funds to be used as credit enhancements allocated across five residential programs: Cozy Home Loan, CT Solar Loan, CT Solar Lease, Smart-E Loan, and Capital for Change (“C4C”) Low Income Multifamily Energy (“LIME”) Loan programs¹. The current not-to-exceed allocations by product are:

Product	Not-to-Exceed ARRA-SEP Amount	Loan Loss Reserve Allocation	IRB Allocation	IRB Expended
Cozy Home Loan	\$28,793	\$17,193	\$11,600	\$11,600

¹ Approvals from FY 2012; FY2013; October 18, 2013; adjustments as part of budget approvals in FY 2015, FY 2016 and FY 2017.

Smart-E Loan	\$3,422,584	\$1,110,608	\$2,311,976	\$1,007,893 ²
Solar Loan	\$468,600	\$300,000	\$168,600	\$168,600
Solar Lease	\$3,816,643	\$3,500,000	\$316,643	\$0
C4C LIME Loan	\$625,000	\$625,000	\$0	\$0
Total	\$8,361,620	\$5,552,801	\$2,808,819	\$1,188,093

Request:

Staff proposes to:

- Replace the Smart-E LLR with Green Bank funds and use the ARRA funds for Smart-E IRBs;
- Replace the CT Solar Lease LLR with Green Bank funds and reallocate all CT Solar Lease ARRA funds to Smart-E IRBs; and
- Replace a portion of LIME loss reserve (\$325,000 that is approved but not yet committed) with Green Bank funds and reallocate those funds to Smart-E IRBs.

Staff will be pursuing more aggressive IRB special offers in support of the upcoming Comprehensive Energy Strategy and the Governor's Council on Climate Change that references the need for electrification of heating and cooling, deployment of renewable heating and cooling, and promotion of zero emission vehicles (where we can use ARRA funds for IRBs for EV rechargers attached to residential homes). Along with the Smart-E Loan, through the Residential Solar Investment Program (RSIP), staff is also partnering with the utilities on near-net zero home energy retrofits.

The resulting **ARRA-SEP** allocations by product and use of Green Bank funds, if approved, will be:

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP Loan Loss Reserve Allocation	ARRA-SEP IRB Allocation	Green Bank LLR Funds Required
Cozy Home Loan	\$28,793	\$17,193	\$11,600	\$0
Smart-E Loan	\$7,564,227	\$0	\$7,564,227	\$1,110,608
Solar Loan	\$468,600	\$300,000	\$168,600	
Solar Lease				\$3,500,000
C4C LIME Loan	\$300,000	\$300,000	\$0	\$325,000
Total	\$8,361,620	\$617,193	\$7,744,427	\$4,935,608

² As of 12/1/2016.

Accordingly, staff seeks approval to use **\$4,935,608 of non-ARRA Green Bank funds for loan loss reserves** in the following amount by product (as shown in the chart above):

- \$1,110,608 for Smart-E (in addition to the already approved \$759,276 in the FY17 budget for a total of \$1,869,884)
- \$3,500,000 for CT Solar Lease
- \$325,000 for LIME Loan

Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

The proposed allocation of \$4,935,608 in ratepayer monies to fund loan loss reserves for these programs in conjunction with the modification of existing legal agreements between Green Bank and external program partners to reflect the substitution of ratepayer monies for ARRA monies will allow Green Bank to classify these monies out of the “unrestricted” cash category of its balance sheet to the “restricted” cash category. ARRA monies will continue to be classified as restricted cash due to the constraints placed on their use by the federal government.

This accounting treatment is supported by GASB 34 which allows for the classification of assets and net position as restricted when constraints are placed on their use in the following instances:

- “Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.”
- “Imposed by law through constitutional provisions or enabling legislation.”

“The basic concept is that restrictions are not unilaterally established by the reporting government itself and cannot be removed without the consent of those imposing restrictions or formal due process.”

Source: GASB Implementation Guide No. 2015-1, Section 7.24.1

Should a future determination be made that certain loans supported by these loan loss reserves are uncollectable, Green Bank will reimburse the financial institution originating the loan based on program guidelines. The restricted cash balance will be reduced by the amount of the reimbursement and the expense of such reimbursement will be recorded in the Green Bank’s statement of revenues and expenses.

Resolution

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;

WHEREAS, the Governor’s Council on Climate Change has identified the need to support renewable heating and cooling and electric vehicles to support the implementation of the Global Warming Solutions Act goal of reducing 80 percent of greenhouse gas emissions from a baseline year of 2001 by the year 2050;

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, currently operating statewide, with 10 credit unions and community banks and one community development financial institution 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 currently includes \$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 Deployment Committee (the “Committee”) recommends approval 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.

RESOLVED, that the Committee recommends funding for loan loss reserves and interest rate buydowns (“Credit Enhancements”) through the use of repurposed American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) program funds be approved for Green Bank’s Cozy Home Loans, Smart-E Loans, CT Solar Loan, and LIME Loan programs (the “Programs”) in amounts materially consistent with the Memorandum presented to the Committee dated February 21, 2017.

RESOLVED, that the Committee recommends that ARRA-SEP funds are approved for the Programs in the not-to-exceed set forth below and that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to use their best discretion to utilize the most effective use of the entirety of the ARRA-SEP Credit Enhancements in amounts not to exceed:

- a. \$28,793 for Cozy Home Loans;
- b. \$7,564,227 for Smart-E Loans;

- c. \$468,600 for CT Solar Loan; and
- d. \$300,000 for LIME Loan.

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the Smart-E Loan Program in the not-to-exceed amount of \$1,869,884 including \$1,110,608 of additional funds and \$759,276 of already approved FY17 budgeted funds.

RESOLVED, that the Committee recommend to the Board of Directors that the Green Bank funds be approved for Loan Loss Reserves for the CT Solar Lease Program in the not-to-exceed amount of \$3,500,000.

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the LIME Loan Program in the not-to-exceed amount of \$325,000.



Memo

To: Connecticut Green Bank Deployment Committee

From: John D'Agostino, Senior Manager, Residential Programs

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; George Bellas, VP of Admin and Finance; Ben Healey, Director, Clean Energy Finance; Kerry O'Neill, Vice President, Residential Programs; Kim Stevenson, Associate Director, Multifamily Programs

Date: February 21st, 2017

Re: Authorization of \$2.5M Capital for Capital 4 Change Low Income Multifamily Energy Loan Program

Background

In April 2014, the Connecticut Green Bank ("Green Bank") Board of Directors (the "Board") approved the Low Income Multifamily Energy Loan (formerly, the Multifamily Permanent Energy Loan, - the "Program" or "LIME"), under which Capital 4 Change (formerly, the Connecticut Housing Investment Fund) ("C4C") in partnership with the Green Bank – provides loans to Connecticut multifamily property owners seeking to finance solar PV and other renewable energy systems and energy efficiency upgrades. In June 2016, the Board reauthorized the Program under amended guidelines and authorized the Green Bank's provision of \$1,000,000 in capital financing¹ and \$625,000 of repurposed ARRA-SEP funds for a loan loss reserve to support an initial capital pool of \$3,000,000².

Success to Date

The Program has been successful in its target market – financing mid-cycle improvements for properties serving low and moderate income households. To date, the Program has provided

¹ This allocation was budgeted from the \$5,000,000 multifamily sector allocation approved by the Board of Directors for Fiscal Year 2014. This \$1,000,000 would remain on Green Bank's books but be available to C4C as C4C approved and closed on loans with qualified borrowers, in accordance with approved underwriting standards under the LIME Loan program. To the extent that Green Bank capital is advanced alongside existing LIME Loan funds from the Opportunity Finance Network ("OFN"), it shall be *pari passu* (that is, equal priority). However, inasmuch as C4C sources other private capital for use under the LIME Loan program, and subject to appropriate intercreditor agreements between Green Bank and these private capital providers, Green Bank funds may assume a subordinate position relative to new senior lenders.

² Additional funding sources included: \$1,000,000 intercompany loan from the CT Energy Efficiency Finance Company ("CEEFCo") at 1.00%; \$1,000,000 from the Opportunity Finance Network ("OFN") at 3.00%.

\$6.1M in closed financing³ for solar PV and/or energy efficiency upgrades for 18 projects, representing 1,292 units, presented hereto as Exhibit A. At present, an additional \$2.4M worth of projects has either been approved or submitted to C4C for underwriting and approval. The LIME Program requires additional capital to finance these projects in the pipeline.

Property types served include subsidized and non-subsidized apartment buildings housing low and moderate income residents, assisted living, and condominium communities. LIME financing has also played a critical role in financing the remediation of energy related health and safety issues with up to 25% of loan proceeds in several of these properties. These health and safety issues are ones that must be remediated before certain energy upgrades can be implemented.

Request

Green Bank staff requests deployment of an additional \$2.5M from Green Bank balance sheet capital to C4C to finance those additional properties in the LIME pipeline. These funds will be provided to C4C by Green Bank under the same terms as were previously approved by the Board (e.g. ██████████), with one exception: prior to C4C's deployment of any funds received from the Green Bank, C4C will hold those funds in a segregated account (in which the Green Bank will have a security interest) and pay a monthly capital commitment fee to the Green Bank (such commitment fee to be on commercially reasonable terms given current market conditions), and only after the funds are deployed will C4C begin repaying the Green Bank at the term interest rate. In addition, there will be a deadline by which C4C must deploy funds received or return all unused dollars to the Green Bank.

The funds will be loaned to Program participants by C4C under the current terms and conditions of the Program, presented hereto as Exhibit B.

Financial Statements

How is the project investment accounted for on the balance sheet and profit and loss statements?

Upon execution of definitive documentation, the Green Bank will advance the entirety of the loan amount to C4C, leading to a reduction in cash and cash equivalents on the asset side of the Green Bank's balance sheet and a concomitant increase in long-term loans. From a profit and loss perspective, prior to C4C "on-lending" those funds, the Green Bank will receive commitment fee income (expected to be no more than a few basis points, to be received on a monthly basis), and then once C4C advances those funds to end borrowers via one or more LIME loans, the Green Bank will receive income in the form of interest on the term loan.

³ C4C has financed roughly half of LIME projects using its own balance sheet

Resolutions

WHEREAS, the Connecticut Green Bank (“Green Bank”) selected Capital for Change (“C4C”) under the Green Bank’s competitive solicitation process for the Clean Energy Financial Innovation Program and subsequently entered into negotiations with C4C that led to the development of the C4C Low Income Multifamily Energy (“LIME”) Loan Program (the “Program”);

WHEREAS, on March 7th, 2014, the Green Bank’s Deployment Committee approved funding for the LIME Loan program in an amount not-to-exceed \$1,000,000 in capital financing, and \$300,000 for a loan loss reserve (“Credit Enhancements”) using repurposed ARRA-SEP program funds, or ratepayer funds, if necessary;

WHEREAS, at a regular meeting of the Green Bank Board of Directors (“Board”) held on April 25th, 2014, the Board approved the Program;

WHEREAS, at a regular meeting of the Board held on June 17th, 2016, the Board reauthorized the Program under updated lending guidelines including an additional \$325,000 of Loan Loss Reserve through repurposed ARRA-SEP program funds, or ratepayer funds, if necessary;

WHEREAS, C4C has developed a pipeline of potential projects that require additional capital for financing under the Program;

NOW, therefore be it:

RESOLVED, that the Deployment Committee approves the deployment of additional capital from the Green Bank balance sheet in an amount not-to-exceed \$2,500,000 to support the Program;

RESOLVED, that the \$2,500,000 in funds advanced under the Program, together with all other conforming loans made under the Program, shall be supported by the previously approved \$625,000 in Credit Enhancements;

RESOLVED, that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to effect the Program on such terms and conditions as are materially consistent with the memorandum submitted to the Green Bank Deployment Committee on February 21st, 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 as they shall deem necessary and desirable to effect the above-mentioned legal instrument.

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Ben Healey, Director of Clean Energy Finance, Kerry O’Neill, Vice President of Residential Programs, Kim Stevenson, Associate Director of Multifamily Programs, and John D’Agostino, Senior Manager of Multifamily Programs

Exhibit A

PROGRAM CLOSED FINANCINGS TO DATE

Municipality	Project Cost	Loan Amount	Units	Solar PV Size (kW)	Projected Annual Savings/Income	Description of Measures
Bridgeport	\$ 110,000.00	\$ 102,000.00	24	N/A	\$ 10,908.00	Hydronic Heating System
Manchester	\$ 642,000.00	\$ 618,617.67	82	N/A	\$ 79,019.25	Lighting, Boilers, Roof, Insulation
East Windsor	\$ 420,000.00	\$ 250,000.00	120	N/A	\$ 69,534.00	Gas Boilers
Waterbury	\$ 540,000.00	\$ 195,000.00	113	N/A	\$ 35,774.00	Boilers, Windows, Insulation
Farmington	\$ 65,000.00	\$ 41,600.00	140	N/A	\$ 9,197.00	Lighting
Hartford	\$ 25,000.00	\$ 25,000.00	18	N/A	\$ 4,600.00	Electrical System Upgrade
Thompson	\$ 600,000.00	\$ 450,000.00	12	180.0	\$ 47,047.00	Solar PV System
Milford	\$ 496,000.00	\$ 353,400.00	175	157.5	\$ 35,447.00	Solar PV Systems
Bridgeport	\$ 236,800.00	\$ 167,200.00	30	73.7	\$ 16,096.00	Solar PV Systems
Scattered Sites	\$ 345,280.00	\$ 243,800.00	17	107.9	\$ 23,470.00	Solar PV Systems
Bridgeport	\$ 256,000.00	\$ 184,320.00	20	80.0	\$ 17,401.00	Solar PV Systems
Granby	\$ 595,320.00	\$ 416,000.00	32	174.8	\$ 41,676.00	Solar PV Systems
Bridgeport	\$ 834,900.00	\$ 584,000.00	303	253.0	\$ 60,860.00	Solar PV Systems
Chester	\$ 727,600.00	\$ 510,000.00	23	214.0	\$ 51,478.00	Solar PV Systems
Middletown	\$ 668,571.00	\$ 441,000.00	40	198.9	\$ 37,160.00	Solar PV Systems
Stamford	\$ 324,752.00	\$ 296,000.00	18	N/A	\$ 44,532.56	Lighting, Weatherization, Water, Roof, Heat Pumps, Safety
Middletown	\$ 1,071,422.00	\$ 960,000.00	89	N/A	\$ 98,479.00	Lighting, Boilers, Heat Pumps, HVAC, Roof Coating
Hartford	\$ 297,000.00	\$ 297,000.00	36	N/A	\$ 33,259.00	Boilers, Water Heaters
	\$ 8,255,645.00	\$ 6,134,937.67	1,292	1,439.8	\$ 715,937.81	

Exhibit B

PROGRAM REQUIREMENTS

Loan Product Details	Structure/Minimum Standards
Loan Type	Unsecured term loan. Mortgages and/or guarantees will always be sought, though will likely rarely be available (and will usually be subordinate, if available). A due-on-sale clause and an “Affidavit of Facts Affecting Title to Real Property” (depending on ownership) will also be required to be signed and filed on the municipal land records. Where such an affidavit is unobtainable, UCC-1 filings and security agreements on installed equipment will alternatively be used as secondary security
Eligible Improvements	<ol style="list-style-type: none"> 1) Electric/gas utilities’ criteria for rebates as specified in a Letter of Agreement (LOA) 2) Eligible measures under Green Bank C-PACE or Smart-E Programs 3) Fuel conversions and associated improvements 4) Other energy upgrades with a commercial track record of realized savings, as approved 5) Energy performance monitoring
Additional Improvements	Up to 25% of the loan amount may be used for directly related health and safety remediation
Loan amounts	Up to \$2,000,000 (higher amounts possible based on funding availability and project feasibility – see required “Energy Savings Coverage Ratio”)
Loan Term	Up to 20 years (will not exceed useful life of underlying improvements)
Loan Rate	██████████ basis points over C4C’s blended cost of funds (currently ██████████)
Amortization	Fully self-amortizing through term *Note: An interest-only "construction period" is allowed; in these cases the term and amortization schedule of the rest of the loan will be shortened by the number of months of the interest-only period
Prepayment	Allowed with no penalty
Loan Fee	██████████ upfront plus closing fees; may be amortized into loan
Eligible Properties	Affordable multi-family apartment buildings/complexes with no less than 5 units *Target properties: At least 60% of units affordable to households at no higher than 80% of AMI
Energy Monitoring	Required for 2 years using an energy performance monitoring system, mutually approved by C4C and Green Bank. Green Bank may elect to extend the performance monitoring period for the purpose of data collection. All energy usage and monitoring data must be made available electronically to C4C and Green Bank on a monthly basis.
Underwriting	
Energy Savings Coverage Ratio	<ul style="list-style-type: none"> ○ Minimum of 1.30X, except for solar installations (1.10X); may be lower on an exception basis with a mortgage or significant personal / corporate guarantee, or for smaller dollar volume loans.
(Projected Annual Savings divided by C4C Debt Service)	<ul style="list-style-type: none"> ○ Projected energy savings to be verified by a qualified third-party service provider approved by both C4C and Green Bank.

Borrower/Sponsor Financials	<ul style="list-style-type: none"> ○ Property must demonstrate positive NOI before energy improvements are in place, demonstrating a DSCR of at least 1.10X based on trailing twelve months; may be lower on an exception basis with a mortgage or significant personal / corporate guarantee, or for smaller dollar volume loans.
	<ul style="list-style-type: none"> ○ Capital/replacement reserves in an amount of not less than 6 months of C4C financing costs must be in place.
Miscellaneous	
Rent Restrictions	<p>For Properties where 1) tenants do not pay the utility bills; <u>and</u> 2) the units are not currently governed by rent restrictions arising from the funding source (or other mechanism) C4C may require a one-year freeze on rent increases to protect tenants against absorbing the costs of installing the energy efficiency measures.</p>
Advances	<p>Loan funds will be advanced in accordance with the C4C-approved disbursement schedule. This may include written confirmation and approval, as applicable, of all required:</p> <ul style="list-style-type: none"> - Municipal inspections by the appropriate municipal officials - Utility inspections by the appropriate local electric or gas utility company - For projects that include energy conservation measures <u>beyond</u> those approved for incentives under an LOA, final inspection and written approval by a qualified third party approved by C4C and Green Bank.