

CONNECTICUT GREEN BANK

Board of Directors

Minutes – Special Meeting

Thursday, July 3, 2014

A special meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on July 3, 2014 at the office of the Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

1. Call to Order: Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 10:02 a.m. Board members participating: Bettina Ferguson, State Treasurer’s Office; Norma Glover; John Harrity; Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Matthew Ranelli; Tom Flynn; Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development (“DECD”). All members participated by phone.

Members absent: Mun Choi, Reed Hundt, and Patricia Wrice.

Staff Attending: Bryan Garcia, Bert Hunter, Brian Farnen, Dale Hedman, George Bellas, Mackey Dykes (by phone), Edward Kranich, Joe Buonannata, Andrea Janecko and Cheryl Samuels.

Others Attending: Mike Trahan, Executive Director of Solar Connecticut; Matt Stone (Pullman & Comley – by phone), Katie Dykes (DEEP – by phone)

2. Public Comments

Mike Trahan (Executive Director of Solar Connecticut) stated that the business community is appreciative of the openness and honesty that the Green Bank has demonstrated and is thankful for involving the installer community in the process of finding a solution that reduces the time and money losses inflicted on installers. He continued that at the beginning of this process, there were members within the association that felt seeking legislative and media support would bring a faster resolution but after much discussion, due to the trust and relationships built with the Green Bank, his association’s board decided to allow the Green Bank the opportunity to propose a solution that works for the industry. On behalf on the industry and the Solar Connecticut board, he expressed appreciation to the Green Bank.

3. Residential Solar Investment Program: Recommendation for a Homeowner Performance Based Incentive

Mr. Garcia provided the Board with a summary of the legislative change and its impact on the solar community:

The Green Bank discovered an inadvertent error in a technical fix to energy statutes that occurred at the end of the legislative session that effectively disallows net metering for households that receive an Expected Performance Based Buy-down (EPBB) incentive. As net metering is an important economic component for homeowners and the Connecticut solar industry, this inadvertent error could have a significant adverse impact on the economics of solar photovoltaic (PV) systems, eliminating the possibilities of system payback for households that install such systems and resultantly distorting costs by 20 to 30 percent. As a result of this finding, beginning June 10, 2014, any application submitted to the Green Bank that requested an EPBB was put on hold until the problem is resolved.

He added that since the launch of the RSIP in March of 2012, the Green Bank has worked closely with the solar PV industry and private investors to build a sustainable market that is projected to be a \$100 Million market in 2014. Installed costs have declined by more than 50% from a high in 2007, consumer demand has doubled each of the past two years and is on pace to double for a third year in a row, and incentives have decreased by nearly 75% from a high in 2005. It is because of the importance of the development of this market that the Green Bank brings forth a solution to this advertent error.

Mr. Garcia explained that the Green Bank is proposing the establishment of a Homeowner Performance Based Incentive (HOPBI) – a performance based incentive that would allow homeowners access to incentives from the Green Bank and receive net metering. Incentives would however be performance-based, instead of an upfront rebate. The HOPBI as proposed would be economically comparable to the EPBB and the PBI so that the impact on the consumer is neutral and includes an added option that provides working capital for installers. Green Bank staff have vetted this and other options with the industry, including Solar Connecticut and other local installers, the utilities, DEEP, and other stakeholders, and believe strongly that this course of action will rectify the problem until a legislative fix can be implemented next year.

Mr. Farnen added that based on feedback received internally and from stakeholders, the HOPBI option was decided as the consensus choice. Mr. Farnen explained that in order to receive a HOPBI, the installed system must meet a target level of performance set at the 30-day production estimate from the system's in-service date. The HOPBI would be implemented in four steps: 1) The homeowner purchases a system; 2) The Green Bank approves the application submitted by the contractor; 3) The homeowner pays for the system net of the HOPBI; 4) The Green Bank pays the HOPBI to the contractor when system production is verified, in what is expected to be 30 days.

Mr. Hedman stated that as a result of the feedback received on the 30-day HOPBI, a working capital recourse loan facility has been added for contractors that need to more closely manage their cash flow. The 30-day HOPBI with recourse loan facility is a 6-part process, including the

following: 1) Homeowner contracts with the contractor to purchase a system net of the HOPBI and homeowner agrees to assign the HOPBI to the contractor when they are eligible to be paid (i.e. 30-day performance target is achieved); 2) the Green Bank approves homeowner's application for the HOPBI and sets a 30-day performance target; 3) Contractor is approved for a loan in the amount of 100% of the HOPBI to be disbursed at equipment delivery; 4) Homeowner pays for the system net of the HOPBI on the contractor's terms; 5) the Green Bank pays the HOPBI to the contractor on behalf of the homeowner once the performance is verified; and 6) Contractor pays off (i.e., cash) the Green Bank loan within 5 business days of receiving the HOPBI payment.

Mr. Klee requested additional detail on the performance metrics of the HOPBI to which Mr. Hedman explained that the calculation would be based on the per kWh target established for any given month. In order to receive the one time HOPBI incentive, the system must meet the performance metric. Mr. Farnen expressed that the key item is the measurable performance component - if the target is not met within 30 days, an extension would be granted, however, the Green Bank feels that requiring real time monitoring meters on all solar PV system installations provides additional justification to collect 30 days of real data.

Ms. Smith commended the Green Bank staff for their expeditious response and elegant market solution.

Upon a motion made by Ms. Glover, seconded by Mr. Ranelli, the Board members voted unanimously in favor of adopting the proposed Homeowner Performance Based Incentive (HOPBI) RSIP resolution.

Resolution #1

WHEREAS, Section 106 of Public Act 11-80 "An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut's Energy Future" (the "Act") requires the Connecticut Green Bank ("Green Bank") to design and implement a Residential Solar Photovoltaic ("PV") Investment Program ("RSIP") that results in a minimum of thirty (30) megawatts of new residential PV installation in Connecticut before December 31, 2022;

WHEREAS, pursuant to Section 106 of the Act, the Green Bank has prepared a program plan and a declining incentive block schedule ("Schedule") that offer direct financial incentives in the form of Performance-Based Incentives ("PBI") (traditionally used for the lease and third party ownership model) and Expected Performance-Based Buy-down incentives ("EPBB") (rebate model traditionally used for the purchase of a PV system);

WHEREAS, on June 6, 2014, Public Act 14-134 "An Act Concerning Technical and Minor Revisions to and Repeal of Obsolete Provisions of Energy and Technology Statutes," was signed into law that has an adverse impact on the RSIP by not permitting households to net meter if they received an EPBB through the RSIP;

WHEREAS, outside legal counsel has provided a legal memorandum stating that the 2014 technical change impacts RSIP projects approved by the Green Bank after the effective date of Public Act 14-134, or June 6, 2014, but does not affect past contracts or contracts currently in effect;

WHEREAS, the residential solar PV market is on pace to be a \$100 million market and a state-based solar industry that provides over 1,500 jobs, of which nearly 600 are direct jobs by the end of 2014;

WHEREAS, the Green Bank may modify the Schedule before the issuance of its next comprehensive plan to account for the prohibition on net metering because the expected return on investment for a typical residential solar PV system that receives an EPBB incentive will be affected by twenty per cent or more;

WHEREAS, the Green Bank has reached out to stakeholders on the problem to solicit workable solutions; and

WHEREAS, the Green Bank staff recommends the creation of a Homeowner Performance Based Incentive ("HOPBI") as a second PBI with an optional recourse loan facility as described in the memorandum to the Board of Directors dated July 2, 2014.

Therefore:

RESOLVED, that the Board of Directors hereby approves the staff recommendation to establish a HOPBI as a second PBI for the purchase of residential Solar PV systems and as more specifically described in the memorandum to the Board of Directors dated July 2, 2014;

RESOLVED, that the Board of Directors hereby approves the staff recommendation to establish an optional recourse loan facility to support eligible Solar PV contractors that need working capital for RSIP projects that receive the HOPBI and as more specifically described in the memorandum to the Board of Directors dated July 2, 2014;

RESOLVED, that the RSIP projects approved by the Green Bank with an EPBB after June 6, 2014 are to be provided the HOPBI;

RESOLVED, that this Board of Director action is consistent with Section 106 of the Act; 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 these Resolutions and expeditiously implement the HOPBI solution.

a. RSIP Step 4

Discussion ensued regarding the timeline of the HOPBI and the transition to step 5 of the RSIP. Mr. Garcia expressed that while staff has been diligently working towards a proposed solution, the RSIP project pipeline has continued to build. Staff is resultantly experiencing time constraints surrounding the design and implementation of step 5 of the RSIP.

In an effort to allow the solar industry more time to catch-up on their pipeline following this delay, and to give Green Bank staff more time to prepare for a rollout of step 5, Mr. Garcia and Ms. Smith proposed the addition of one additional megawatt be authorized to support step 4 of the RSIP.

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of authorizing one additional megawatt to step 4 of the Residential Solar Investment Program with the caveat that said increase would apply to HOPBI projects only.

10. Adjournment: Upon a motion made by Mr. Ranelli, seconded by Ms. Ferguson, the Board voted unanimously in favor of adjourning the July 3, 2014 meeting at 10:44 a.m.

Respectfully Submitted,

Catherine Smith, Chairperson