

# CONNECTICUT GREEN BANK

## Board of Directors

Minutes – Special Meeting

Tuesday, August 26, 2014

A special meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on August 26, 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 Connecticut Green Bank, called the meeting to order at 9:01 a.m. Board members participating: Bettina Ferguson, State Treasurer’s Office; Norma Glover, Patricia Rice, Tom Flynn (by phone), Reed Hundt (by phone), John Harrity (by phone), Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Matthew Ranelli; Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development (“DECD”).

Members absent: Mun Choi and John Harrity.

Staff Attending: Bryan Garcia, Bert Hunter, Brian Farnen, Dale Hedman, George Bellas, Jessica Bailey, Kerry O’Neill, Suzanne Kaswan, Alexandra Lieberman, Benjamin Healey (participated by phone) Andy Brydges, John D’Agostino, Madeline Priest, Andrea Janecko and Cheryl Samuels.

Others Attending: Mike Trahan, Executive Director of Solar Connecticut; Kevin Walsh (GE Energy Financial Services– by phone)

## 2. **Public Comments**

Mike Trahan (Executive Director of Solar Connecticut) expressed on behalf of the Connecticut solar industry, his appreciation for the Connecticut Green Bank’s efforts in creating the SunShot Solar Permitting Guide. Mr. Trahan stated that such permitting green guides and blanket policies have been well received by building owners, municipalities, and the solar industry. Mr. Garcia recognized Mr. Trahan for his contribution in helping the SunShot team address soft cost within municipalities. Mr. Garcia described the success of the first permitting guide training for building owners and expressed his excitement for next scheduled training designed for building owners and municipalities.

## 3. **Approval of Meeting Minutes:**

The board was asked to consider the June 25, July 3, and July 18, 2014 meeting minutes.

**Upon a motion made by Mrs. Glover, seconded by Mr. Ranelli, the board voted unanimously in favor of adopting the minutes from the June 25, July 3, and July 18, 2014 meetings as presented.**

#### **4. Statutory and Infrastructure Updates and Recommendations**

Mr. Garcia provided an overview of the Connecticut solar industry and the progress of the Residential Solar Investment Program (RSIP) over the last 10 years. Mr. Garcia highlighted that through the RSIP program the CT Green Bank has achieved its legislative mandate of a minimum of 30 megawatts eight years ahead of schedule, using less public dollars, and resultantly has reached 4,200 households across the state. Since 2011, installed costs have declined twenty percent and incentives have been reduced thirty-five percent while industry demand has doubled one-hundred percent since 2012 and on pace to double again in 2014. Compared with its benchmarks, Connecticut is among the lowest in installed costs, using less state incentives and delivering the same watts per capita at a third of the price.

Mr. Garcia stated that in addition to an increase in demand, there has been a dramatic increase in PBI applications, driven by the Green Bank's solar leasing product and Solar City. As a result of this increase the market is accelerating at a rate that is exceeding the CT Green Bank's operational capacity, thus leading to potential market barriers in the future. Mr. Garcia stated that the RSIP step 5 proposal is designed to move the RSIP to a more sustainable model, one that is driven by the market.

##### **a) Residential Solar Investment Program – Step 5**

Mr. Hedman walked the board through a proposal for an incentive of \$0.65/W – the equivalent of a \$50 ZREC price. The new incentive would be about a 25% reduction from Step 4 – taking the Green Bank to about a 65% reduction from Step 1. It was noted that is also well below what the utility incentives are for commercial and industrial projects through the ZREC, and below the RPS compliance payment of \$55 – an issue important to the Governor. There was discussion of advancing a legislative proposal that would establish a program by which the utilities would purchase from the Green Bank, the RECs we own through long-term contracts as a result of the RSIP.

Mr. Garcia noted that with the new incentive would now be incentivizing over 10 kw systems to help the Green Bank maximize clean energy deployed in Connecticut and impact future demand, this incentivizes customers to go deeper and install energy saving measures such as ductless mini-splits or electric vehicle charging stations.

Mr. Ranelli than posed a question about the new program allowing the Green Bank to reach residents in the greatest need with a focus on distressed municipalities by census tract blocks.

Chairperson Smith asked if the Green Bank has a goal to reach distressed municipalities and Mr. Garcia proposed that the staff run an analysis of programs to cite where distressed municipalities are supported and to come up with a plan that could provide additional support to the lower to mid-level income range.

**Upon a motion made by Ms. Wrice seconded by Ms. Ferguson the board voted unanimously in favor of the Schedule of Incentives as proposed.**

**WHEREAS**, as of August 1, 2014, the Program has thus far resulted in approximately thirty-two megawatts of new residential PV installation application approvals in Connecticut, and when complete and commissioned will achieve the minimum target of thirty megawatts established by Section 106 of Public Act 11-80;

**WHEREAS**, pursuant to Conn. Gen Stat. 16-245a, a renewable portfolio standard was established that requires that Connecticut Electric Suppliers and Electric Distribution Company Wholesale Suppliers obtain a minimum percentage of their retail load by using renewable energy.

**WHEREAS**, the Green Bank has been assigned by New England Power Pool Generation Information System an Identification Number NON36589 for the residential solar PV projects it supports through the Program, and subsequently the Public Utility Regulatory Authority assigned a Registration No. CT 00534-13 to the behind-the-meter facilities supported by the Program;

**WHEREAS**, real-time revenue quality meters are included as part of solar PV systems being installed through the Program that determine the amount of clean energy production from such systems as well as the associated renewable energy credits ("RECs") which, in accordance with Program guidelines, become the property of the Green Bank to hold, manage and sell in the Green Bank's sole discretion;

**WHEREAS**, the Green Bank Board of Directors (the "Board") approved Guidelines and Procedures for the Green Bank Management of Class I REC Asset Portfolio on December 11, 2013; and

**WHEREAS**, pursuant to Section 106 of the Act, the Green Bank has prepared a Program plan with a declining incentive block schedule ("Schedule") that offer direct financial incentives, in the form of homeowner performance-based incentives ("HOPBI") or performance-based incentives ("PBI"), for the purchase or lease of qualifying residential solar photovoltaic systems, respectively.

**NOW**, therefore be it:

**RESOLVED**, that the Board approves of the Schedule of Incentives as set forth in Table 3(B) of the Due Diligence Package dated August 20, 2014 to achieve 10.0 MW of solar PV deployment;

**RESOLVED**, that the Board directs staff that at the point where 6.0 MWs of committed capacity is reached during Step 5 of the Schedule, or earlier if staff deems it appropriate, to release a report that makes a recommendation to the Deployment Committee on the Step 6 and beyond for capacity allocation and incentive levels;

**RESOLVED**, that by (a) the point of the Step 5 incentive where 8.0 MW of committed capacity is reached for either the PBI or the HOPBI models or (b) June 30, 2015 whichever comes first, the Board will approve a Step 6 capacity allocation and incentive level to ensure the sustained and orderly deployment of the residential solar market in Connecticut; and

**RESOLVED**, that the Board hereby directs Green Bank staff to develop a proposal to address the sustainability of the Program in light of the growing market demand while increasing deployment of clean energy sources in Connecticut and minimizing the cost to the ratepayers by giving consideration to the aggregation and sale of RECs acquired through the Program.

**5. Residential Sector Program Updates and Recommendations**

**a. CT Solar Loan**

Mr. Hunter provided an update on the progress of the CT Solar Loan. The product has achieved statewide availability. Assets have been pooled and crowd funded utilizing transactions placed through Mosaic. The first tranche was fully funded and the Green Bank is looking to move an additional \$500,000 to the Mosaic platform within the coming weeks.

Mr. Hunter noted that Sungage Financial has closed on a capital line with a new federal credit union and will begin to access that capital in last quarter of this year. Mr. Hunter noted that this is the first Green Bank product to “graduate” from Green Bank support. The Green Bank staff is working on a transition plan since the nature of the relationship has changed between the two parties. Mr. Hunter highlighted that an important change will occur due to the new capital provider and that is lending to customers with a 640 FICO which is now available across all Green Bank residential financing products. The market is also moving to 20 year products and CT Solar Loan is asking to move this product from a maximum of 15 year to 20 years. Mr. Hunter also mentioned that the CT Solar Loan is looking to add flexibility of battery backup/storage.

**Upon a motion made by Ms. Glover seconded by Ms. Ferguson the board voted unanimously in favor of the changes to the CT Solar Loan product.**

**WHEREAS**, under Section 99 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 Connecticut Green Bank (the “Green Bank”) is directed to, amongst other things, develop separate programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such others as the Green Bank may determine;

**WHEREAS**, the CT Solar Loan Program (the “Program”) supports homeowners who desire to purchase solar PV systems for their homes with low-cost, long-term financing, in line with Public Act 11-80, the State’s Comprehensive Energy Strategy, and the Green Bank’s Comprehensive Plan;

**WHEREAS**, having nearly exhausted the Green Bank’s initial authorization of \$5,000,000 in revolving loan advances for the Program, as approved by the Board of Directors on July 19, 2013, Green Bank staff now seeks authorization to lend to a new CT Solar Loan subsidiary for the purposes of funding loans to be granted to Connecticut homeowners under the Program;

**NOW**, therefore be it:

**RESOLVED**, that the Board of Directors grants approval for the Green Bank to create a new CT Solar Loan subsidiary for the sole purpose of funding further loans to be granted to Connecticut homeowners under the Program;

**RESOLVED**, that the Board of Directors grants approval for the Green Bank to make advances to this new CT Solar Loan subsidiary, for Program lending inclusive of originating loans to homeowners with tenors of up to 20 years and inclusive of battery storage systems, subject to the following limits:

A. A maximum limit for all long-term loans, subordinated to senior investors, of \$1,000,000; and

B. A maximum limit for revolving loan advances, to aggregate a portfolio of Program loans, in the amount of \$5,000,000, for a period not to exceed three (3) years;

**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 acquisition of a portion

of the portfolio of Program loans by one or more senior investors on such terms and conditions as are materially consistent with the term sheet dated November 21, 2012 and approved by the Deployment Committee and the memorandum submitted to the Board of Directors on July 12, 2013, except as modified herein, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers, no later than twelve (12) months from the date of this resolution; 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 instruments

**b. CT Solar Lease Update**

Ms. Lieberman updated the board on the first year of the CT Solar Lease product. She noted that Green Bank staff now has more visibility of pipeline time frames and indicated that the leasing company, CT Solar Lease 2 LLC, is preparing to draw funding under its credit facility through the syndicate of lenders led by First Niagara Financial Group and at the same time, as required under the credit facility, to enter into interest rate swaps for not less than 75% of the amounts borrowed. Ms. Lieberman explained the mechanics of the interest rate swap, whereby the floating rate interest associated with the borrowings are exchanged for fixed rate interest, thereby minimizing exposure to increases in floating rate interest costs. General Counsel Farnen reminded the Board of Directors that this is an opportunity to keep them apprised of the amount of money leveraged and the amount at risk. Mr. Hunter then mentioned that the leasing company is planning on swapping interest rates in advance of actual draws under the credit facility since the rates are low now and that little capital is at risk.

**6. Commercial Sector Program Updates and Recommendations**

**a. Trumbull – C-PACE Transaction**

Ms. Bailey highlighted that C-PACE has closed tremendous amounts of transactions over the last two months. She then mentioned an issue that occurred in the early days of the program where, due to construction delays, the Trumbull project took longer than planned and the project went to the town's tax assessor and was placed on the tax rolls before the building owner saw the benefits of a completed project. Since the sale of the loan had already occurred, an adjustment with the town's tax assessors could no longer transpire. Mr. Healy noted that since it was an error in process, which has since been corrected for future projects, an offer to cover the costs by way of a short term loan to the property owner is being requested. This request is at a low interest rate (at the "Prime Rate") to right a wrong and not generate revenue off of the building owner.

**Upon a motion made by Ms. Wrice seconded by Ms. Glover the board voted unanimously in favor of the loan to the building owner to cover the costs of the first payment.**

**WHEREAS**, on October 18, 2013 the Connecticut Green Bank (the “Green Bank”) Board of Directors approved a construction and term loan under the C-PACE program in the amount of \$1,001,298 to ISCT Real Estate, LLC, the property owner of 29 Trefoil Drive, Trumbull, CT;

**WHEREAS**, the Green Bank and ISCT Real Estate, LLC entered into a C-PACE Financing Agreement on November 14, 2013 (the “Financing Agreement”) for the installation of a 252 kW solar system and a variety of efficient lighting upgrades (the “Project”);

**WHEREAS**, the Project faced construction delays and was not fully completed until mid-June, while the first payment was due under the Financing Agreement on July 1, 2014;

**WHEREAS**, requiring a property owner to begin repayment under a C-PACE Financing Agreement prior to having accrued almost any energy savings is not in the spirit of the C-PACE program, with its goal of delivering cash flow benefits to borrowers; and

**WHEREAS**, Green Bank seeks to provide a \$21,110.08 term loan under the C-PACE program to ISCT Real Estate, LLC, the property owner of 29 Trefoil Drive, Trumbull, CT (the "Loan"), to finance the payment of ISCT Real Estate, LLC's first payment under the Financing Agreement.

**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 with terms and conditions consistent with the memorandum submitted to the Board of Directors dated August 19, 2014, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 90 days from August 26, 2014; and

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

**b. Newington – C-PACE Transaction**

**Upon a motion made by Chairperson Smith seconded by Ms. Wrice the board voted unanimously in favor of the Newington C-PACE Transaction**

**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; and

**WHEREAS**, the Green Bank seeks to provide \$750,000 construction and term loan under the C-PACE program to VKR Venture Associates LLC, the property owner of 819-835 North Mountain Road, Newington 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;

**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 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 Board dated August 19, 2014, 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 August 26, 2014;

**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.

- 10. Adjournment:** Due to the Chairperson needing to leave the meeting, there was no longer a quorum and the meeting was adjourned at 11:05AM.



Respectfully Submitted,

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Catherine Smith, Chairperson