

CONNECTICUT GREEN BANK

Board of Directors

Minutes – Regular Meeting

Friday, December 19, 2014

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on December 19, 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 9:07 A.M. Board members participating: Norma Glover (phone), Patricia Rice, Kevin Walsh (by phone), Reed Hundt (by phone), John Harrity, 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:

Staff Attending: Bryan Garcia, Kerry O’Neill, Jessica Bailey, Mackey Dykes, Alysse Lembo-Buzzelli, Alex Kovtuneko, Genevieve Sherman, Bert Hunter, Kim Stevenson, John D’Agostino, Cheryl Samuels, Brian Farnen, Andrea Janecko, Suzanne Kaswan, and Madeline Priest

2. **Public Comments**

No public comments

3. **Approval of Meeting Minutes:**

A. Approval of the December 2, 2014 meeting minutes moved to the January 23, 2015 meeting.

Upon a motion made by Mr. Harrity, seconded by Ms. Wrice, the board voted unanimously in favor of authorizing Green Bank staff to approve funding requests under \$300,000 and No More in Aggregate of \$1,000,000 until the next Deployment Committee meeting

WHEREAS, on January 18, 2013, the Connecticut Green Bank (the “Green Bank”) Board of Directors (the “Board”) authorized the 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 Green Bank Comprehensive Plan, approved within Green Bank's fiscal budget and in an aggregate amount not to exceed \$500,000 from the date of the last Deployment Committee meeting, on July 18, 2014 the Board increase the aggregate not to exceed limit to \$1,000,000 ("Staff Approval Policy for Projects Under \$300,000");

WHEREAS, Green Bank staff seeks Board review and approval of the funding requests listed in the Memo to the Board dated December 19, 2014 which were approved by Green Bank staff since the last Deployment Committee meeting and which are consistent with the Staff Approval Policy for Projects Under \$300,000;

NOW, therefore be it:

RESOLVED, that the Board approves the funding requests listed in the Memo to the Board dated December 19, 2014 which were approved by Green Bank staff since the last Deployment Committee meeting. The Board authorizes Green Bank staff to approve funding requests in accordance with the Staff Approval Policy for Projects Under \$300,000 in an aggregate amount to exceed \$1,000,000 from the date of this December 19, 2014 Board meeting until the next Deployment Committee meeting.

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

a. **Hartford – C-PACE Transaction**

Ms. Bailey outlined a proposed C-PACE transaction in Hartford. She noted that this would be approximately a \$500,000 C-PACE investment in a 170 kw system and that this transaction is 50 basis points below average.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the board voted unanimously in favor of authorizing the Hartford proposed 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 \$495,143 construction and (potentially) term loan under the C-PACE program to VAG Development, LLC, the property owner of 77 Leibert Road, Hartford, CT (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan;

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the C-PACE authorizing statute, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in a total amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated December 12, 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 December 19, 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 instruments.

b. North Stonington – C-PACE Transaction

Ms. Bailey then explained a potential C-PACE transaction in North Stonington for about a \$300,000 C-PACE investment in a 113 kW system with good cash flows.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the board voted unanimously in favor of authorizing the North Stonington proposed 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;

WHEREAS, the Green Bank seeks to provide \$307,561 construction and (potentially) term loan under the C-PACE program to David Babcock Lewis, LLC, the property owner of 273 Boombridge Road, North Stonington (the "Loan"), to finance the

construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

WHEREAS, the Green Bank may also provide a short-term unsecured loan (the "Feasibility Study Loan") from a portion of the Loan amount, to finance the feasibility study or energy audit required by the C-PACE authorizing statute, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents;

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in a total amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated December 12, 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 December 19, 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 instruments.

c. Watertown – C-PACE Transaction

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the board voted unanimously in favor of authorizing the Watertown proposed 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;

WHEREAS, the Green Bank seeks to provide a \$399,406 construction and (potentially) term loan under the C-PACE program to Fred M. Valenti, the building owner of 600 Straits Turnpike, Watertown, 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 C-PACE authorizing statute, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in a total amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated December 12, 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 December 19, 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 that the lease on the property does not impact the Green Bank's ability to foreclose on the building; 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.

Mr. Walsh asked what is that the Green Bank is doing that the private market will not or cannot do. Ms. Bailey responded that initially there was some reluctance among private capital providers to provide C-PACE financing – the concept was new to Connecticut and there were some issues with the C-PACE statute (now addressed by the legislature) which prevented a benefit assessment lien going on the property prior to completion. The Green Bank used its balance sheet in order that C-PACE could demonstrate the potential for volume. Ms. Bailey agreed with Mr. Walsh that private capital is now more willing to invest and at the moment there is interest for the private market to invest in transactions due to having seen the successes of C-PACE in Connecticut. Mr. Hunter noted that the transactions that are being funded initially by the Green Bank use financing agreements that capital providers can acquire by way of assignment, and that this has been successfully done with the first sell down of transactions which enables private capital to enter the market.

Chairwoman Smith asked if there were issues with construction period and indicated that those issues may be difficult for private capital to take on.

Ms. Bailey mentioned that the lien can be placed upon closing and before any advances are made, and is secured. The interest rate is also lower than what the market might want to actually lend at. The more deals, the lower the interest rate.

Mr. Hunter stated there are costs associated with these transactions, so some smaller transactions are still difficult for private capital. There will still be a role for the Green Bank for quite some time.

Mr. Ranelli asked if tax assessors will want the Green Bank to be the intermediary. Ms. Bailey said yes and that the Green Bank needs to be the intermediary with the towns and that towns do not want to have to deal with placing liens for multiple providers.

At the next Board meeting the C-PACE team will share the Pacesetters videos.

6. Executive Session

Executive Session – Personnel Related Matters

Compensation resolution to be provided at the Board Meeting.

Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the board voted unanimously in favor of the following resolution.

WHEREAS, pursuant to Section 3.1 of the Green Bank (“Green Bank”) Bylaws, the Board of Directors (the “Board”) shall be responsible for determining or approving compensation for each officer; and

WHEREAS, the Board has approved the salary ranges for the President and Chief Executive Officer, the Executive Vice President and Chief Investment Officer, the General Counsel and Chief Legal Officer, and the Chief Operating Officer (the “Officers”);and

WHEREAS, the annual performance reviews for the Officers are complete.

NOW, therefore, be it:

RESOLVED, that the Board authorizes the Chairperson of the Green Bank to establish the specific annual salaries for the Officers within the Board approved salary ranges based on the best available market data, input and discussions with the Board and the respective annual performance reviews for each Officer.

7. Role of the Green Bank

Mr. Garcia presented to the Board of Directors the progress in the past three years and the future role of the Green Bank model. The organization has reestablished its strategies and mission, and it has delivered measurable results, but there is still more clean energy to add to the grid. There is also a sense of urgency to create jobs and help the solar industry scale up. Over the past three years the staff has rebuilt the financial position of the organization while deploying more clean energy than the predecessor organization, the Connecticut Clean Energy

Fund, with less rate payer dollars, more loans, and less of a dependence on subsidies and rebates.

Ms. Wrice cautioned that in an underserved market, lower income customers will always depend on subsidies.

For the C- PACE program, the Green Bank has seen, 104 towns eligible, forty-five deals with \$31,500,000 close. The question staff is going to address in the coming year is can the organization become more efficient in meeting goals.

Ms. Bailey went on to explain that the balance sheet is not large enough to address the demand, there is a limit of Green Bank staff's time to do underwriting, the sell down process is expensive and time consuming, and there is a lack of private capital incentives for these projects. To address these issues effectively, the Green Bank needs to solve the capital challenge, and solve the human capital challenge since there are more deals than the small staff can handle. She outlined two pathways to ensure that volume continues to increase for C-PACE transaction – first, the staff will issue an RFP for an external warehouse of capital to make sure that the Green Bank's balance sheet does not become a barrier to growth; second, the staff has issued a Standard Offer to the market to allow other originators to source and finance C-PACE transactions. In this second pathway, the Green Bank would be reviewing applications based on statutory compliance but would not be underwriting the transactions – thus resolving some of the human resource challenges associated with serving as the lender on the transactions.

Chairwoman Smith asked that if the role of the Green Bank becomes more hands off, how will the program be monitored. Ms. Bailey said that, due to the way the statute was written, the staff of the Green Bank will always be in a position of reviewing C-PACE applications for statutory compliance – including lender consent being met, municipality being opted in, energy savings being greater than investment, and confirming the type of property. Ms. Wrice questioned if capital providers do not need Green Bank monies, what role will the staff play. Ms. Bailey stated that there will still be a need for boots on the ground to assist with driving demand and for negotiating the lien process with the municipalities as the private sector is not able to do so on its own.

Commissioner Klee said that customers are comfortable working with the Green Bank because the organization is not a private capital organization and does not financially benefit from customer participation. He questioned if some of that might be lost when there is a private market.

Mr. Hunter noted that it is difficult for the Green Bank to hire due to overhead constraints but could potentially outsource many of these responsibilities to help the growth of the C-PACE program.

Mr. Ranelli highlighted that the ZREC and LREC program outsourced and had some issues that could help the Green Bank think through how to do so more effectively.

Chairwoman Smith encouraged the staff to continue to invest in technology to help the sustainable growth of the C-PACE program at the Green Bank.

Ms. Glover asked the staff to elaborate.

Mr. Hunter explained that in California, their programs use transaction systems that are more technologically advanced for intake (customer and project information, for instance). The question for the Green Bank is should this be done internally or externally. Ms. Bailey indicated that rapid growth will not happen with the current structure. If the Green Bank is financing the transactions with its own balance sheet, the Green Bank must determine if the underwriting should be something done in house. If capital is coming from other parties, the process for Green Bank review is less time consuming.

Ms. Wrice stated that these conversations cannot stop progress, but the organization needs to make sure there are proper staff resources. Chairwoman Smith said that this is a good problem to have.

Mr. Harrity does not see anything but lots of growth due to the integrity of the program. Chairwoman Smith mentioned that there is a need to make the necessary investments but also assess risks and come back to the board to have a specific discussion about options and next steps for the CPACE program.

Next, Ms. O'Neill walked the board through the current penetration of solar in low income communities in the state, an analysis of the state's low income housing market, and a draft strategy for addressing the overall energy needs of the low income sector, including increased solar penetration. She outlined where residential solar incentive dollars have been spent in the state historically. She highlighted that the rate of solar penetration in census tracts that are considered low income at 60% of are median income (AMI) is one-tenth the penetration of census tracts greater than 80% of AMI and for those census tracts between 60% and 80% AMI the penetration is one quarter of the penetration of census tracts greater than 80% AMI. Ms. O'Neill indicated that in the six distressed communities where Solarize campaigns had been run the penetration in lower income census tracts was higher than the overall state average, and that recent solar customer segmentation analysis identified a specific lower income customer that was going solar in the state. To address this market better, these early learning indicated that marketing needs to be at the census tract and neighborhood level and that tailored messaging needs to be used.

Mr. Dykes stated since it is unknown how many dollars low income residents are contributing to the Green Bank's revenues collected from utility bills, and that there will be an analysis of dollars invested by the Green Bank versus dollars received, to analyze the equitable distribution of funds.

Ms. O'Neill spoke to the breakdown in Connecticut housing stock for low income residents, of which there are 507,000 units in the state, or thirty-four percent, defined as units with residents at less than 80% of AMI, whereby thirty percent of low income units are single family owner occupied homes, many homeowners are older and on a fixed income. Forty percent of the market is multifamily rentals with two to nineteen units, and only fifteen percent are larger multifamily properties. All low income residents are challenged with making hard choices about their limited incomes and the high costs of energy. She highlighted that each of these three market segments present difficult challenges, but in particular the smaller rental properties suffer from years of deferred maintenance, with energy, structural, and health and safety and owners that lack the financial capacity to easily address them. Green Bank staff suggested the solution will likely be to approach the problem with a holistic financing package that encompasses energy upgrades (both efficiency and solar), health and safety issues, and other needed capital

improvements; and that this needs to be coupled with sustained technical assistance and outreach customized to each of the three market segments. .

Ms. O'Neill went on to say that the strategy should be focused on neighborhood revitalization, in partnership with other state agencies, municipalities and market participants that serve the low income sector, such as Department of Housing, Connecticut Housing Finance Authority, Department of Energy and Environmental Protection, and Department of Public Health. Ms. O'Neill also discussed some of the policies that would be needed to support greater solar penetration in the low income sector, such as the Solar Homes Renewable Energy Credit (SHREC), which would allow the Green Bank to offer tiered incentives for low income residents, and community solar which will allow renters to buy into solar in an affordable way. Future needs would include capacity building across market participants to support low income residents, a need to figure out sustainable funding for ongoing technical assistance and outreach, and a need to set a Green Bank target or goal for the low income sector and establish a budget to support achieving that target.

Mr. Harrity noted that this would involve intensive marketing, but that the big picture is about poverty and that the Green Bank alone is not going to solve those issues for the state. There was a discussion among members of the Board that the Green Bank should not try to tackle this problem on its own. There was also agreement among board members that pursuing a holistic strategy of energy upgrades, as opposed to only focusing on solar, was the right approach.

Chairwoman Smith suggested the Green Bank staff come up with targets and a timeframe to execute a plan quickly.

8. Statutory & Infrastructure

Mr. Garcia outlined the continued success of the Residential Solar Investment Program (RSIP) and proposed a new rebate step 6 and 7 – equivalent to a \$40 and \$30 ZREC equivalent price respectively – as part of the Race to the Rooftop campaign, a 10 megawatt goal starting January 1, 2015 for step 6 and then will move onto a new goal at step 7 once reached. Due to the growth the Green Bank has seen, it has pushed staff to reflect on their role in the market as it grows. At end of step 7, the organization will have dropped incentives by more than 70%, and such reductions will become increasingly important as the organization moves forward.

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

Resolution #7

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 (“Program”) that results in a minimum of thirty (30) megawatts of new residential PV installation in Connecticut before December 31, 2022;

WHEREAS, as of December 12, 2014, the Program has thus far resulted in approximately fifty-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 Board approves of the Schedule of Incentives as set forth in Table 2 of the memo dated December 16, 2014 to achieve 20.0 MW of solar PV deployment – 10.0 MW from Step 6 and 10.0 from Step 7;

RESOLVED, that the Board hereby directs Green Bank staff to assess the tax, marketing, and administrative implications of (1) providing a performance incentive upfront (i.e., HOPBI-EPBB), (2) providing a performance incentive over time (i.e., PBI), (3) proving a performance incentive at a future point in time (i.e., all incentive goes directly to the homeowner as opposed to the contractor, and (4) transferring the REC to the homeowner in lieu of the RSIP by the end of the Fiscal Year 2015.

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.

10. Adjournment: Upon a motion made by Mr. Harrity, seconded by Ms. Glover the Board voted unanimously in favor of adjourning the December 19, 2014 meeting at 11:05 A.M.

Respectfully Submitted,

Catherine Smith, Chairperson