CONNECTICUT GREEN BANK
Board of Directors
Regular Minutes
Thursday, September 28, 2017

1. **Call to Order**

Catherine Smith (by phone), Chairperson of the Green Bank, called the meeting to order at 3:02 p.m. Board members participating: Eric Brown, John Harrity (by phone), Matt Ranelli (by phone), Betsy Crum (by phone), Rob Klee, Bettina Bronisz (by phone), Reed Hundt (by phone), and Kevin Walsh (by phone)

Members Absent: Tom Flynn and Gina McCarthy

Staff Attending: Bryan Garcia, Brian Farnen, Eric Shrago, Cheryl Samuels, Alex Kovtunenko, George Bellas, Matt Macunas, Chris Magalhaes, Laura Fidao, Anthony Clark, Joe Buonannata, Mike Yu (by phone), Bert Hunter (by phone), Ben Healey (by phone), and Kerry O'Neill (by phone)

Others Attending: Guy West from Clean Water Fund

2. **Public Comments**

There were no public comments.

3. **Consent Agenda**

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for July 21, 2017.

4. **Staff Transaction Recommendations**

a. **Commercial, Industrial, and Institutional Sector Program & Transaction Recommendation**

i. **Oxford - C-PACE Transaction**

Mackey Dykes provided an overview on the Oxford C-PACE Transaction. He explained that this is a retail location, and is envisioned to be a large development. He explained that this project falls within the standard underwriting guidelines. He stated that this a 15-year loan at 5.5% with a 10% contingency built into the approvals. He stated that they are requesting a 15% contingency. He advised that if the costs were to increase, they would stay within the underwriting guidelines.

Kevin Walsh questioned the Loan to Value ratio, Mackey Dykes explained the Loan to Value ratio and stated it is 78.6%. Kevin Walsh questioned what the Green Bank is offering that the market will not do – asking why the Green Bank is needed. Mackey Dykes stated that it's the rates and term through C-PACE and that traditional banks are not offering the same. He stated that there are other specialized lenders in CT using C-PACE, but that they are staying in the market until they see increased lending by traditional lenders. Kevin Walsh questioned if there is a goal of the Green Bank to sell it down. Mackey Dykes stated that yes, through the partnership with Hannon-Armstrong. He stated that this deal will be placed into that warehouse. He stated that they are trying to work with them to streamline the process.

Bettina Bronisz questioned if they up the contingency from 10% to 15%, what does that do to the debt service coverage ratio. Mackey Dykes stated that he does not have those specific numbers right now, but that it will still be above one.

Upon a motion made by Betsy Crum, and seconded by John Harrity the Board voted unanimously in favor of the request.

<u>Resolution #2</u>

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 $486,157 construction and (potentially) term loan under the C-PACE program to Oxford Town Center, LLC., the building owner of 300 Oxford Road, Oxford, 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 an amount not to be greater than one hundred fifteen percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated September 21, 2017, 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 Board of Directors;

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.

ii. Woodbridge – C-PACE Transaction

Mackey Dykes discussed the Woodbridge C-PACE project. He stated that they had previously done a project there and that the JCC is coming back to do another project. He stated that there are two components. One is another Solar PPA, which would go on the roof, but that there will be a C-PACE loan to cover the new roof to support the solar. He stated that this will be an associated measure with that Solar PPA.

Commissioner Smith questioned how the interest rate is chosen for projects. Mackey Dykes stated that it is determined solely by the terms. He stated that they have a schedule of each year.

Matt Ranelli questioned the cost of the roof upgrade being done under C-PACE and if the project savings are being done under a separate PPA. Mackey Dykes stated that that is correct from a program standpoint. He stated that for projects they can count energy measures that are done under different assessments. He stated that from a customer standpoint, it’s all one overall project.

Matt Ranelli questioned if the PPA is a condition precedent to the C-PACE funding, or if they are all tied together once the roof goes on. Mackey Dykes stated that the PPA is executed before they release the money for the roof. Brian Farnen stated that you can’t have the roof project without the PPA. He stated that they can add that to the C-PACE funding.

Betsy Crum questioned if they go back and see how projects have played out in terms of cost savings. Mackey Dykes stated that yes, they work with the customers and collect utility bills to compare to the projections. He stated that more than 90% of the projects are performing at least to the expectations.

Commissioner Klee questioned if there was any benefit that this is piggybacking off of the existing project. Mackey Dykes no, that they are pretty different. Commissioner Klee asked if there were any infrastructure upgrades. Mackey Dykes stated that he is not aware of any.

Matt Ranelli questioned the SIR and asked if it was typical. Mackey Dykes stated that it has to be over 1. Eric Brown stated that you want it to be 1.2 for a cushion.

Upon a motion made by Matt Ranelli, and seconded by Commissioner Klee the Resolution passed unanimously.

Resolution #3

WHEREAS, pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the "Act"), the Connecticut Green Bank ("Green Bank") is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, the Green Bank Board of Directors (the "Board") has approved a $40,000,000 C-PACE construction and term loan program;

WHEREAS, the Green Bank seeks to provide a $302,667 construction and (potentially) term loan under the C-PACE program to The Jewish Federation of Greater New Haven, Inc., the building owner of 360 Amity Road, Woodbridge, 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 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 of Directors dated September 21, 2017, 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 Board of Directors;

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.

iii. Private Capital for Small Business Energy Advantage Program

Anthony Clark provided an overview of the Small Business Energy Advantage Program. He stated that it is a partnership to recapitalize the program with a cheaper source of capital than utility provided capital at the present time. He stated that the utilities and CGB have made significant progress for the SBEA Program in identifying capital to lower the cost of financing. He stated that SBEA is available to small businesses, the State and Municipalities for small energy efficiency projects. He stated that it is 0% interest rate to the borrower with the Connecticut Energy Efficiency Fund ("CEEF") subsidizing the interest costs. SBEA customers have up to four years for repayment. Bettina Bronisz questioned the availability to Municipalities. Anthony Clark stated that they can have up to $500,000 in financing open at one time.

Anthony Clark stated that the CEEF provides support for the Fund. He stated that in recent years the Fund has had $25 - $30 million in annual loan funds. He stated that the average loan is about 40 months. He stated that the loans in the program are high-performing, with less than 1% default in any given year. He stated that CEEF reimburses the utilities for their cost of capital provided to the program for loans and any loan losses. He stated that CEEF also pays the administrative expenses for running the Program. He stated that the capital going in on the utility side, especially Eversource, is very expensive. He stated that overall, this Fund will lower the cost of the capital going into the Program and therefore reduce the cost of the buy down paid by the CEEF by several million dollars over the next 5 years.

Laura Fidao stated that the terms were negotiated with JP Morgan to provide the funding for the special purpose vehicle ("SPV") that will make the loans to the SBEA customers. She stated that the facility is for a one-year term, with the ability to draw for one year and an annual renewal thereafter. She stated that of the $30 million in total capital, $27 million will be coming from JP Morgan, and 10% or $3 million will be coming from the Green Bank. She stated that the cost of capital from JP Morgan is 3.8% at the present time but is pegged to LIBOR and will change as LIBOR changes. The Green Bank equity will be charging a capital charge of 3.5%. There will be a 0.25% per annum fee on the capital available under the facility that is not drawn by customer loans. To protect against the potential for the SBEA program to be defunded, the interest rate buy-down will be pre-funded for each loan at the point that the loan is made. She stated that there is no loan loss reserve required since the Green Bank is providing $3 million in "first loss" capital for the SPV for the benefit of the senior lender – JP Morgan. She stated that the Green Bank's role in addition to the $3 million in capital is to manage the SPV and in addition to the $3 million in first loss capital, the Green Bank will provide up to $750,000 for liquidity purposes. She stated that in the event that the CEEF budget falls short, the Green Bank will provide support under the liquidity facility of $750,000. She stated that the loan proceeds will be issued from the SPV instead of the utilities, so this will result in the customer loans being booked on the SPV's balance sheet rather than the utilities, which is the situation at the present time. She stated that they don't anticipate any losses to the Green Bank funds because the CEEF undertaking for loan losses and interest rate buydown funds is remaining in place for the program. She stated that if there is a raid on the CEEF Fund, there could be a loss of the Green Bank funds. She stated that the $3 million and any of the $750,000 advanced for liquidity purposes would then be at risk.

Commissioner Klee questioned if there would only be losses under a failure of the CEEF if there were defaults on the loans. Laura Fidao stated yes, but that they will have that year's CEEF budget to reimburse those losses to the fund. She stated that if CEEF is not there, then losses in excess of this budget would be absorbed by Green Bank capital.

Bettina Bronisz questioned the $5.5 million of the Green Bank equity as the program grows, and when that would be requested, and if staff would come back to the Board for that. Laura Fidao stated that the request for the first year of the facility is for $3 million. She stated that under normal circumstances they would assume that each year they will issue approximately $28 million worth of loans. She stated that the facility will expand incrementally each year. She stated that their estimates are that by year 5 the facility size will rise to about $55 million. She stated that staff will come back to the Board for a slight increase each year as the facility is renewed by JP Morgan. She stated that they could also go back to the market to source other capital in the later years.

Reed Hundt questioned if any of the Committees of the Green Bank had reviewed this in advance. Laura Fidao stated no. Reed Hundt stated that there are a lot of questions to be asked and that this should have gone through a Committee first. He questioned what problems they are trying to resolve. Anthony Clark stated that the SBEA Program touches about 1800 customers a year. He stated that the challenge is the cost of providing financing is quite high, because of the cost of capital. He stated that also, both utilities have expressed interest in not serving as financial institutions. Reed Hundt questioned what Eversource's interest rate was. Anthony Clark stated that in the new structure there is no need for Eversource or UI capital. He stated that currently they get paid 10.57% after tax. He stated that this will free up utility monies to be put into other projects. He stated that there's about $200 million flowing into CEEF to support clean energy each year. He stated that by reducing the buy down cost, they can reach more customers because they have freed up monies to buy down their financing. Due to time constraints and additional questions by the Board, this item was tabled for a special meeting to be scheduled in the near term.

b. Finance Transaction Recommendation

i. Clean Renewable Energy Bonds for CSCU Solar Projects

Bert Hunter provided a high-level overview of the CSCU Solar Projects. He stated that these projects are using the financing structure that the Green Bank perfected with the financing of the hydroelectric facility for the City of Meriden. That facility used financing supported by the New Clean Renewable Energy Bond (or "CREBs") program of the US Treasury and resulted in a green bond being issued by the Green Bank to Bank of America. Using that same financing structure, staff are focusing on Connecticut State Colleges in developing solar PV projects for state facilities. He stated that under CREBs, the ownership title must be held by the Green Bank. He stated this is being done in combination with "Current" – a GE Company. He stated that, as before, Bank of America is the intended purchaser of the Clean Renewable Energy Bonds. However, unlike the CREBs purchased by Bank of America for the Meriden hydroelectric facility which were backed by the State's Special Capital Reserve Facility (or "SCRF"), the CREBs being issued for these solar PV projects would not be backed by the SCRF since the technology is familiar to Bank of America. He stated that this is being done on the basis of the creditworthiness of the State facilities plus a limited performance undertaking from the Green Bank which is being backed up by the GE company.

Bert Hunter stated that Bank of America is are looking to the cash flows under the PPAs that are being paid to the Green Bank. He stated that the total amount financed is $8.5 million. He stated that the Green Bank exposure is not to exceed $1.2 million. He stated that the term of the PPA is 20 years.

Eric Brown questioned if there was an audit to be performed on the building. Bert Hunter stated that he is not able to confirm that. Brian Farnen stated that they do not mandate that they perform an audit as these are often large sophisticated commercial counterparties that often have their own energy consultants and energy efficiency programs.

Eric Brown questioned if the savings ratios are determined down the road. Laura Fidao stated that the Solar System would have already been designed. Commissioner Klee stated that these are all behind the meter projects, not necessarily tied to a specific building.

> **Upon a motion made by Matt Ranelli, and seconded by Bettina Bronisz with an abstention from Kevin Walsh, the Resolution passed.**

Resolution #5

WHEREAS, the Connecticut State College and University ("CSCU") system has signed Power Purchase Agreements with General Electric, Inc. for a portfolio of behind-the-meter solar installations at various CSCU campuses across the state (the "Portfolio");

WHEREAS, Banc of America Public Capital Corp ("BAPCC") has extensive energy and tax credit bond financing expertise, has indicated interest in financing the Portfolio via New Clean Renewable Energy Bonds ("CREBs") and received a reduced interest rate through the Public Utilities Regulatory Authority.

WHEREAS, the Connecticut Green Bank ("Green Bank") would be considered a Qualified Issuer and Qualified Owner under CREBs, and each of the projects within the Portfolio would qualify as a Qualified Renewable Energy Facility (as all of those terms are defined under regulations issued by the Internal Revenue Service);

WHEREAS, Green Bank staff recommends that the Green Bank Board of Directors ("Board") approve of financing the Portfolio using a combination of ratepayer capital and CREBs proceeds, in an amount not to exceed $10,550,000, as a strategic selection and award because of the special capabilities of BAPCC to provide capital at attractive rates for tax credit bond financing, the uniqueness of the Portfolio, and the strategic innovation associated with securing the Green Bank's CREBs allocation.

NOW, therefore be it:

RESOLVED, that the Green Bank Board hereby approves an appropriation and bond authorization of not more than $9,350,000 to finance the Portfolio, including costs associated with ownership of the Project (as required under CREBs regulations), as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII;

RESOLVED, that the Green Bank may provide ratepayer capital, in the form of equity to finance the Portfolio as required for the successful structuring of the CREBs issuance, in an amount not to exceed $1,200,000;

RESOLVED, that the President of the Green Bank and any other duly authorized officer is authorized to proceed with the prerequisites to the issuance of CREBs in an amount not to exceed $9,350,000 with terms and conditions consistent with the memorandum submitted to the Board dated September 27, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 405 days from the date of authorization by the Board, provided that staff will submit for Board approval all resolutions required to approve all relevant documentation (such as an indenture of trust) required for the actual issuance of bonds;

RESOLVED, that the Green Bank Board hereby declares the Green Bank's official intent that payment of Portfolio construction and financing costs may be made from temporary advances of other available funds of the Green Bank, and that the Green Bank reasonably expects to reimburse such advances from the proceeds of the CREBs financing in an amount not to exceed $9,350,000; 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 instruments.

j. Residential Sector Program Recommendation

i. Smart-E Loan with IRB's for EV Cars Pilot

Kerry O'Neill provided an overview of the pilot program for the EV Cars. She stated that they are coming to the Board for approval of the Pilot. She stated that they have been working with DEEP and CARA to promote more EV's on the road in Connecticut. She stated that the cars that are turned in now are going to California and New York to be resold. This Pilot will allow them to capture these vehicles at the end of their lease to keep them in Connecticut. She stated that they estimate about 370 – 450 vehicles can be captured. She stated that there is a big opportunity to cross-sell these vehicles to an EV customer, using the Smart E bundle. She stated that they are asking the Board to approve a program that allows the Green Bank to partner with Smart E Credit Unions. She stated that the Green Bank money will really only be used for interest rate buy down. Commissioner Klee stated that they are looking for ways to make the whole business model greener, and this is a small, but interesting step.

Eric Brown questioned if there is an opportunity in terms of fleets. Kerry O'Neill stated that the budget allocation for this year is only for the consumer side. She stated that in keeping with that, this Pilot is not designed to address fleets.

Kerry O'Neill stated that the Credit Unions will provide the entire financing. She stated that the Green Bank will not be providing any capital financing. Kevin Walsh stated that there is a tremendous amount of EV vehicles that come into the market. He stated that Connecticut doesn't allow direct selling of those vehicles. Kerry O'Neill stated that the dealers have no financing available. She stated that they send those vehicles to auction. She stated that they have an opportunity to capture those vehicles at the lot. She stated that this program would allow Tesla's to be financed through the Credit Unions.

Betsy Crum stated that they can learn a lot from this Pilot. John Harrity stated that they need to deal with transportation if they are going to address Carbon Emissions.

> **Upon a motion made by Betsy Crum, and seconded by Commissioner Klee, with an abstention from Reed Hundt, the Resolution passed.**

Resolution #6

WHEREAS, the Connecticut Green Bank (the "Green Bank") is established and authorized pursuant to Conn. Gen. Stat. Section 16-245n to, among other things, develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in Conn. Gen. Stat. Section 16- 245n(a);

WHEREAS, in July of 2017, the Connecticut Department of Energy and Environmental Protection ("DEEP") released the Draft Comprehensive Energy Strategy ("CES") for Connecticut that includes a focus on electric vehicles and their use to increase zero emission vehicle-miles-traveled in the state;

WHEREAS, in June of 2017, the Green Bank Board of Directors (the "Board") approved the FY18 budget that included $500,000 allocated to a new consumer EV program; and

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, statewide as of November 2013, with currently 11 local lenders providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors (the "Board") approves a pilot interest rate buydown program to be known as Smart-E for EVs Pilot Loan Program, as more particularly described in that certain memorandum and attached program guidelines submitted to the Board dated September 21, 2017. The budget of the Smart-E for EVs Pilot Loan Program will be $500,000, consistent with the Board approved FY18 budget.

5. Adjourn

Upon a motion made by Bettina Bronisz, and seconded by Betsy Crum, the Board of Directors Meeting was adjourned at 4:29 p.m.

Respectfully Submitted,

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Catherine Smith, Chairperson