



**CLEAN ENERGY**  
**FINANCE AND INVESTMENT AUTHORITY**

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November 25, 2014

Dear Connecticut Green Bank Board of Directors:

We have a special meeting of the Board of Directors scheduled for Tuesday, December 2, 2014 from 9:00 to 10:00 a.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** – in order to make meetings more efficient and for us to be able to cover all topics within the allotted time, we will be including a consent agenda item. We have three (3) items, including the meeting minutes of October 17, 2014, regular Board of Director and Committee meeting schedules for 2015, and C-PACE transaction time extension.
- **Commercial and Industrial Sector Programs** – we are bringing forth several C-PACE transactions for your review and approval. We will also be bringing forth what we are calling a “pre-C-PACE” project for your consideration. As you will see from the write-up, we anticipate securing consent from the SBA at some point, but for reasons important to both the building owner and the Connecticut Green Bank, we are proposing a secured loan transaction to enable the project to move forward. We are also bringing forth our first micro grid project located in Bridgeport. The project memo will be distributed to the Board of Directors on November 26, 2014.
- **Audit, Compliance, and Governance Committee** – based on the review and final recommendations to the Board of Directors by the ACG Committee meeting, we will be bringing forth the Comprehensive Annual Financial Report (CAFR) for FY 2014 and the Draft Federal Single Audit Report for FY 2014 for your review and approval.
- **State of Connecticut Auditor’s Report for FY 2012 and FY 2013** – we will discuss the recent State Auditor’s findings in their FY 2012 and FY 2013 report. As I mentioned in my communication last week, any audit finding is important to us and helps us continue to improve our processes and procedures. We have put together a memo summarizing the findings and remedies that we are employing as a result. We have included some attachments that provide examples of the sorts of documentation that were raised in the audit.
- **Statutory and Infrastructure Sector Programs** – the Residential Solar Investment Program (RSIP) continues to make progress. We would like to discuss how we are thinking about Step 6 of the RSIP. We are continuing to make progress increasing demand for solar PV, reducing subsidies, and transitioning to financing. We believe that this will put us in a strong position to have a constructive debate on the public policy we

are advancing this legislative session – the Solar Home and Jobs Opportunity Act. As you will see from the memo, we are making a lot of progress on that front.

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

We look forward to seeing you next week. Until then, I wish you and your families a Happy Thanksgiving.

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



# **CLEAN ENERGY**

## **FINANCE AND INVESTMENT AUTHORITY**

### **AGENDA**

Board of Directors of the  
Connecticut Green Bank  
845 Brook Street, Rocky Hill, CT 06067

Tuesday, December 2, 2014  
9:00-10:00 a.m.

Staff Invited: Jessica Bailey, George Bellas, Andy Brydges, Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, and Kerry O'Neill

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda\* – 5 minutes
  - a. Approval of meeting minutes for October 17, 2014\* – 5 minutes
  - b. Board of Director and Committee Regular Meeting Schedule for 2015\*
  - c. C-PACE Transaction Time Extension Request\*
4. Commercial and Industrial Sector Program Updates and Recommendations\* – 30 minutes
  - a. C-PACE Transactions\*
    - i. Bridgeport – C-PACE Transaction\*
    - ii. Ellington – C-PACE Transaction\*
    - iii. Manchester – C-PACE Transaction\*
    - iv. Plainville – C-PACE Transaction\*
    - v. Trumbull – C-PACE Transaction\*
    - vi. Waterbury – C-PACE Transaction\*
  - b. Pre-C-PACE Interim CES Innovations Fund Loan\*
  - c. Microgrid Loan\*
5. Audit, Compliance and Governance Committee\* – 10 minutes
  - a. FY 2014 Comprehensive Annual Financial Report (i.e., the audit)\*
  - b. FY 2014 Federal Single Audit Report\*
6. State of Connecticut Auditor's Report for FY 2012 and FY 2013 – 5 minutes

7. Statutory and Infrastructure Sector Program Updates and Recommendations – 10 minutes
  - a. Residential Solar Investment Program – Step 6 (Memo of November 25, 2014)
8. Adjourn

\*Denotes item requiring Board action

Join the meeting online at <https://www4.gotomeeting.com/join/185502463>

Dial +1 (571) 317-3122

Access Code: 185-502-463

***Next Regular Meeting: Friday, December 19, 2014 from 9:00-11:00 a.m.  
Colonel Albert Pope Board Room at the  
Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT***



# **CLEAN ENERGY**

## **FINANCE AND INVESTMENT AUTHORITY**

### **RESOLUTIONS**

Board of Directors of the  
Connecticut Green Bank  
845 Brook Street, Rocky Hill, CT 06067

Tuesday, December 2, 2014  
9:00-10:00 a.m.

Staff Invited: Jessica Bailey, George Bellas, Andy Brydges, Craig Connolly, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, and Kerry O'Neill

1. Call to order
2. Public Comments – 5 minutes
3. Consent Agenda – 5 minutes
  - a. Approval of meeting minutes for October 17, 2014\* – 5 minutes

#### **Resolution #1**

Motion to approve the minutes of the Board of Directors meeting for October 17, 2014.  
Second. Discussion. Vote.

- b. Board of Director and Committee Regular Meeting Schedule for 2015\*

#### **Resolution #2**

Motion to approve the proposed Regular Meeting Schedule of the Board of Directors and It's Committees for the 2015 calendar year. Second. Discussion. Vote.

- c. C-PACE Transaction Time Extension Request\*

#### **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**, pursuant to the C-PACE program the Green Bank Board of Directors (the "Board") has approved and authorized the President of the Green Bank to execute financing agreements for the following four projects and properties: Amgraph

Packing, Inc. at 90 Versailles Road, Sprague (approved on 7/18/14), and 290 Pratt St, LLC at 290 Pratt St, Meriden (approved on 7/18/14), Ellenville Associates, LLC at 255 Bank St, Waterbury (approved on 12/20/2013) Infinity VII, LLC at 1095 Day Hill Rd, Windsor (approved on 12/20/2013) (collectively, the "Finance Agreements");

**WHEREAS**, the Finance Agreements were authorized to be consistent with the terms, conditions, and memorandums submitted to the Board and *shall be executed no later than 90 days from the date of Board approval*;

**WHEREAS**, due to delays in fulfilling pre-closing requirements for the C-PACE transactions listed above the Green Bank will need more time to execute the Finance Agreements; and

**NOW**, therefore be it:

**RESOLVED**, that the Board extends authorization of the Finance Agreements to no later than 120 days from the date of the December 2, 2014 Board meeting and consistent in every other manner with the original Board authorization for each Finance Agreement.

4. Commercial and Industrial Sector Program Updates and Recommendations\* – 30 minutes
  - a. C-PACE Transactions\*
    - i. Bridgeport – C-PACE Transaction

#### **Resolution #4**

**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 \$621,575 construction and (potentially) term loan under the C-PACE program to Incubator Associates Limited Partnership, the property owner of 929 Connecticut Avenue, Bridgeport, 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; 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 November 25, 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 2, 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.

ii. Ellington – C-PACE Transaction

#### **Resolution #5**

**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 \$495,768 construction and (potentially) term loan under the C-PACE program to Harold Levesque, Jr, the property owner of 380 and 398 Somers Road, Ellington, 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 November 25, 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 2, 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.

iii. Manchester – C-PACE Transaction

#### **Resolution #6**

**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 \$596,725 construction and (potentially) term loan under the C-PACE program to Manchester Sports Center, Inc., the building owner of 24 Adams Street, Manchester, Connecticut and 30 Adams Street, Manchester, 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 November 25, 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 2, 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.

iv. Plainville – C-PACE Transaction

**Resolution #7**

**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 \$1,116,624 construction and (potentially) term loan under the C-PACE program to Carling Technologies, Inc., the property owner of 60 Johnson Avenue, Plainville, 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; 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 November 25, 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 2, 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.

v. Trumbull – C-PACE Transaction

**Resolution #8**

**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 a \$185,037 construction and (potentially) term loan under the C-PACE program to Silver Nichols LLC, the building owner of 999 Silver Lane, Trumbull, 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;

**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 November 25, 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 2, 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.

vi. Waterbury – C-PACE Transaction

**Resolution #9**

**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 \$1,530,622 construction and (potentially) term loan under the C-PACE program to Loehmann-Blasius Chevrolet, Inc., the building owner of 90 Scott Road, Waterbury 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; 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 November 25, 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 2, 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.

b. Pre-C-PACE Interim CES Innovations Fund Loan\*

#### **Resolution #10**

**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**, On November 14, 2014, the Deployment Committee of the Green Bank approved an \$117,091 C-PACE transaction to finance the installation of a 32.5 kW solar PV system at the Little House Properties LLC property in Ellington, CT. Consistent with the C-PACE program, the approval is contingent upon the property owner receiving mortgage lender consent;

**WHEREAS**, as an interim solution, while waiting for lender consent for the C-PACE assessment, the Green Bank seeks to provide an \$117,091 secured construction loan under the Comprehensive Energy Strategy Innovation Fund to the property owner, Little House Properties LLC, (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 November 25, 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 2, 2014;

**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.

c. Microgrid Loan\*

**Resolution #11** – coming on November 26, 2014

5. Audit, Compliance and Governance Committee\* – 10 minutes

- a. FY 2014 Comprehensive Annual Financial Report (i.e., the audit)\*
- b. FY 2014 Federal Single Audit Report\*

**Resolution #12**

**WHEREAS**, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

**WHEREAS**, the Committee recommended to the Board for approval the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachments A and B).

**NOW**, therefore be it:

**RESOLVED**, that the Board approves the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachments A and B).

6. State of Connecticut Auditor's Report for FY 2012 and FY 2013 – 5 minutes
7. Statutory and Infrastructure Sector Program Updates and Recommendations\* – 10 minutes
  - a. Residential Solar Investment Program – Step 6 (Memo of November 25, 2014)
8. Adjourn

\*Denotes item requiring Board action

Join the meeting online at <https://www4.gotomeeting.com/join/185502463>

Dial +1 (571) 317-3122

Access Code: 185-502-463

***Next Regular Meeting: Friday, December 19, 2014 from 9:00-11:00 a.m.  
Colonel Albert Pope Board Room at the  
Clean Energy Finance and Investment Authority, 845 Brook Street, Rocky Hill, CT***



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## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #1**

Call to Order

December 2, 2014



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## **Board of Directors of the Connecticut Green Bank**

**Agenda Item #2**

Public Comments

December 2, 2014



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## **Board of Directors of the Connecticut Green Bank**

**Agenda Item #3**

Consent Agenda

December 2, 2014





- ▶ **Approval of Minutes** – Board of Directors of October 17, 2014
- ▶ **Regular Schedule for 2015** – Board of Directors, Audit, Compliance and Governance Committee, Budget and Operations Committee, and Deployment Committee
- ▶ **C-PACE Transaction Time Extension** – extend Meriden, Sprague, Waterbury and Windsor transactions an additional 120 days from December 2, 2014



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## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4**

Commercial and Industrial Programs

December 2, 2014



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## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4ai**

Commercial and Industrial Programs

Bridgeport – C-PACE Transaction

December 2, 2014



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## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4ai**

Commercial and Industrial Programs

Bridgeport – C-PACE Transaction

December 2, 2014

# 929 Connecticut Ave (Bridgeport)

## Ratepayer Payback



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- ▶ **\$621,575** to install 153 kW solar PV system and LED lighting
- ▶ Projected savings are **13,310 MMBtu** versus **\$621,575** of ratepayer funds at risk.
- ▶ Ratepayer funds will be paid back in one of the following ways
  - ▶ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ▶ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ▶ (c) through receipt of funds from the City of Bridgeport as it collects the C-PACE benefit assessment from the property owner.

**PHOTO REDACTED**

# 929 Connecticut Ave (Bridgeport)

## Terms and Conditions



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- ▶ **\$621,575** construction loan at 5% and term loan set at a fixed 6% over the 20-year term
- ▶ **\$ 621,575** loan against the property
  - ▶ Property valued at **REDACTED** (municipal assessment)
  - ▶ Loan-to-value ratio equals **REDACTED** ; Lien-to-value ratio equals **REDACTED**
- ▶ DSCR > **REDACTED**

# 929 Connecticut Ave (Bridgeport)

## The Five W's



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- ▶ **What?** Receive approval for a \$ **621,575** construction and (potentially) term loan under the C-PACE program to Incubator Associates Limited Partnership to finance the construction of specified energy upgrade
- ▶ **When?** Project to commence 2014
- ▶ **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- ▶ **Who?** Incubator Associates Limited Partnership, the property owner of 929 Connecticut Ave, Bridgeport
- ▶ **Where?** 929 Connecticut Ave, Bridgeport, CT



**REDACTED**



# Anticipated Green Bank cash flow



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CT Green Bank Pro Forma			
<i>Project Basics</i>		<i>Cash Flows</i>	
		<u>Date</u>	<u>CEFIA \$</u>
Amount Financed	\$671,525	Dec 2014	<b>\$671,525</b>
Construction Period (years)	0.67	Aug 2015	\$22,384
Term (years)	20	Jan 2016	\$58,104
Construction Financing Rate	5.00%	Jan 2017	\$58,104
Term Financing Rate	6.00%	Jan 2018	\$58,104
		Jan 2019	\$58,104
Construction Interest Payment (bullet)	\$22,384	Jan 2020	\$58,104
Yearly Debt Service Payments (made semi-annually)	\$58,104	Jan 2021	\$58,104
		Jan 2022	\$58,104
		Jan 2023	\$58,104
		Jan 2024	\$58,104
		Jan 2025	\$58,104
		Jan 2026	\$58,104
		Jan 2027	\$58,104
		Jan 2028	\$58,104
		Jan 2029	\$58,104
		Jan 2030	\$58,104
		Jan 2031	\$58,104
		Jan 2032	\$58,104
		Jan 2033	\$58,104
		Jan 2034	\$58,104
		Jan 2035	\$58,104



**REDACTED**



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## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4a ii**

Commercial and Industrial Programs

Ellington – C-PACE Transaction

December 2, 2014

# 380 & 398 Somers Rd (Ellington)

## Ratepayer Payback



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- ▶ **\$495,768** to install 145 kW solar PV system, HVAC efficiency and Fuel switching, and lighting upgrades
- ▶ Projected savings are **7,641 MMBtu** versus **\$495,768** of ratepayer funds at risk.
- ▶ Ratepayer funds will be paid back in one of the following ways
  - ▶ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ▶ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ▶ (c) through receipt of funds from the Town of Ellington as it collects the C-PACE benefit assessment from the property owner.

**PHOTO REDACTED**

# 380 & 398 Somers Rd (Ellington)

## Terms and Conditions



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- ▶ **\$495,768** construction loan at 5% and term loan set at a fixed 5% over the 10-year term
- ▶ **\$495,768** loan against the property
  - ▶ Property valued at **REDACTED**
  - ▶ Loan-to-value ratio equals **REDACTED** ; Lien-to-value equals **REDACTED**
- ▶ DSCR > **REDACTED**

# 380 & 398 Somers Rd (Ellington)

## The Five W's



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **What?** Receive approval for a **\$495,768** construction and (potentially) term loan under the C-PACE program to Think Snowmobiles, Inc. to finance the construction of specified energy upgrade
- ▶ **When?** Project to commence 2014
- ▶ **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- ▶ **Who?** Think Snowmobiles, Inc., the property owner of 380 and 398 Somers Rd, Ellington
- ▶ **Where?** 380 and 398 Somers Rd, Ellington, CT



**REDACTED**

# Anticipated Green Bank cash flow



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

CT Green Bank Pro Forma			
<i>Project Basics</i>		<i>Cash Flows</i>	
Amount Financed	\$496,302	<u>Date</u>	<u>CEFIA \$</u>
Construction Period (years)	0.67	Dec 2014	<b>\$496,302</b>
Term (years)	10	Aug 2015	\$16,543
		Jan 2016	\$63,673
Construction Financing Rate	5.00%	Jan 2017	\$63,673
Term Financing Rate	5.00%	Jan 2018	\$63,673
		Jan 2019	\$63,673
Construction Interest Payment (bullet)	\$16,543	Jan 2020	\$63,673
Yearly Debt Service Payments (made semi-annually)	\$63,673	Jan 2021	\$63,673
		Jan 2022	\$63,673
		Jan 2023	\$63,673
		Jan 2024	\$63,673
		Jan 2025	\$63,673
		Jan 2026	\$0
		Jan 2027	\$0
		Jan 2028	\$0
		Jan 2029	\$0
		Jan 2030	\$0
		Jan 2031	\$0
		Jan 2032	\$0
		Jan 2033	\$0
		Jan 2034	\$0
		Jan 2035	\$0





**REDACTED**



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4aiii**

Commercial and Industrial Programs

Manchester – C-PACE Transaction

December 2, 2014

## 24 & 30 Adams St (Manchester) Ratepayer Payback



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$596,725** to install (2) 100 kW solar PV systems
- ▶ Projected savings are **14,984 MMBtu** versus **\$596,725** of ratepayer funds at risk.
- ▶ Ratepayer funds will be paid back in one of the following ways
  - ▶ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ▶ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ▶ (c) through receipt of funds from the City of Manchester as it collects the C-PACE benefit assessment from the property owner.

**PHOTO REDACTED**

# 24 & 30 Adams St (Manchester)

## Terms and Conditions



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$596,725** construction loan at 5% and term loan set at a fixed 6% over the 20-year term
- ▶ **\$ 596,725** loan against the property
  - ▶ Property valued at **REDACTED**
  - ▶ Loan-to-value ratio equals **REDACTED** ; Lien-to-value equals **REDACTED**
- ▶ DSCR > **REDACTED**

# 24 & 30 Adams St (Manchester)

## The Five W's



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **What?** Receive approval for a **\$596,725** construction and (potentially) term loan under the C-PACE program to Manchester Sports Center, Inc. to finance the construction of specified energy upgrade
- ▶ **When?** Project to commence 2014
- ▶ **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- ▶ **Who?** Manchester Sports Center, Inc., the property owner of 24 and 30 Adams St, Manchester, CT
- ▶ **Where?** 24 and 30 Adams St, Manchester, CT



**REDACTED**

# Anticipated Green Bank cash flow



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

CEFIA Pro Forma			
<i>Project Basics</i>		<i>Cash Flows</i>	
Amount Financed	\$596,725	<u>Date</u>	<u>CEFIA \$</u>
Construction Period (years)	0.42	Dec 2014	<b>\$596,725</b>
Term (years)	20	May 2015	\$12,432
		Jul 2015	\$51,631
Construction Financing Rate	5.00%	Jul 2016	\$51,631
Term Financing Rate	6.00%	Jul 2017	\$51,631
		Jul 2018	\$51,631
Construction Interest Payment (bullet)	\$12,432	Jul 2019	\$51,631
Yearly Debt Service Payments (made semi-annually)	\$51,631	Jul 2020	\$51,631
		Jul 2021	\$51,631
		Jul 2022	\$51,631
		Jul 2023	\$51,631
		Jul 2024	\$51,631
		Jul 2025	\$51,631
		Jul 2026	\$51,631
		Jul 2027	\$51,631
		Jul 2028	\$51,631
		Jul 2029	\$51,631
		Jul 2030	\$51,631
		Jul 2031	\$51,631
		Jul 2032	\$51,631
		Jul 2033	\$51,631
		Jul 2034	\$51,631



**REDACTED**





**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4aiv**

Commercial and Industrial Programs

Plainville – C-PACE Transaction

December 2, 2014

# 60 Johnson Ave (Plainville)

## Ratepayer Payback



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

**PHOTO REDACTED**

- ▶ **\$1,116,624** to install 521 kW solar PV system
- ▶ Projected savings are **39,399 MMBtu** versus **\$1,116,624** of ratepayer funds at risk.
- ▶ Ratepayer funds will be paid back in one of the following ways
  - ▶ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ▶ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ▶ (c) through receipt of funds from the Town of Enfield as it collects the C-PACE benefit assessment from the property owner.

# 60 Johnson Ave (Plainville)

## Terms and Conditions



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$1,116,624** construction loan at 5% and term loan set at a fixed 6% over the 20-year term
- ▶ **\$1,116,624** loan against the property
  - ▶ Property valued at **REDACTED**
  - ▶ Lien-to-value ratio equals **REDACTED**
- ▶ DSCR > **REDACTED**

# 60 Johnson Ave (Plainville)

## The Five W's



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **What?** Receive approval for a **\$1,116,624** construction and (potentially) term loan under the C-PACE program to Carling Technologies, Inc. to finance the construction of specified energy upgrade
- ▶ **When?** Project to commence 2014
- ▶ **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- ▶ **Who?** Carling Technologies, Inc., the property owner of 60 Johnson Ave, Plainville, CT
- ▶ **Where?** 60 Johnson Ave, Plainville, CT



**REDACTED**

# Anticipated Green Bank cash flow



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

CT Green Bank Pro Forma			
<i>Project Basics</i>		<i>Cash Flows</i>	
		<u>Date</u>	<u>CEFIA \$</u>
Amount Financed	\$1,116,624	Dec 2014	<b>\$1,116,624</b>
Construction Period (years)	0.67	Aug 2015	\$37,221
Term (years)	20	Jan 2016	\$96,616
		Jan 2017	\$96,616
Construction Financing Rate	5.00%	Jan 2018	\$96,616
Term Financing Rate	6.00%	Jan 2019	\$96,616
		Jan 2020	\$96,616
Construction Interest Payment (bullet)	\$37,221	Jan 2021	\$96,616
Yearly Debt Service Payments (made semi-annually)	\$96,616	Jan 2022	\$96,616
		Jan 2023	\$96,616
		Jan 2024	\$96,616
		Jan 2025	\$96,616
		Jan 2026	\$96,616
		Jan 2027	\$96,616
		Jan 2028	\$96,616
		Jan 2029	\$96,616
		Jan 2030	\$96,616
		Jan 2031	\$96,616
		Jan 2032	\$96,616
		Jan 2033	\$96,616
		Jan 2034	\$96,616
		Jan 2035	\$96,616



**REDACTED**



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4av**

Commercial and Industrial Programs

Trumbull – C-PACE Transaction

December 2, 2014



# 999 Silver Ln (Trumbull)

## Ratepayer Payback



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$185,037** to install lighting upgrades, HVAC replacements, and building management system
- ▶ Projected savings are **4,674 MMBtu** versus **\$185,037** of ratepayer funds at risk.
- ▶ Ratepayer funds will be paid back in one of the following ways
  - ▶ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ▶ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ▶ (c) through receipt of funds from the City of Trumbull as it collects the C-PACE benefit assessment from the property owner.

**PHOTO REDACTED**

# 999 Silver Ln (Trumbull)

## Terms and Conditions



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$185,037** construction loan at 5% and term loan set at a fixed 5.3% over the 13-year term
- ▶ **\$185,037** loan against the property
  - ▶ Property valued at **REDACTED**
  - ▶ Loan-to-value ratio equals **REDACTED** ; Lien-to-value **REDACTED**
- ▶ DSCR > **REDACTED**

# 999 Silver Ln (Trumbull)

## The Five W's



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **What?** Receive approval for a **\$185,037** construction and (potentially) term loan under the C-PACE program to Silver Nichols LLC to finance the construction of specified energy upgrade
- ▶ **When?** Project to commence 2014
- ▶ **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- ▶ **Who?** Silver Nichols LLC, the property owner of 999 Silver Ln, Trumbull, CT
- ▶ **Where?** 999 Silver Ln, Trumbull, CT



**REDACTED**

# Anticipated Green Bank cash flow



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

CEFIA Pro Forma			
<i>Project Basics</i>		<i>Cash Flows</i>	
		<u>Date</u>	<u>CEFIA \$</u>
Amount Financed	\$185,037	Dec 2014	<b>\$185,037</b>
Construction Period (years)	0.42	Mar 2015	\$3,855
Term (years)	13	Jul 2015	\$20,152
Construction Financing Rate	5.00%	Jul 2016	\$20,152
Term Financing Rate	5.30%	Jul 2017	\$20,152
		Jul 2018	\$20,152
Construction Interest Payment (bullet)	\$3,855	Jul 2019	\$20,152
Yearly Debt Service Payments (made semi-annually)	\$20,152	Jul 2020	\$20,152
		Jul 2021	\$20,152
		Jul 2022	\$20,152
		Jul 2023	\$20,152
		Jul 2024	\$20,152
		Jul 2025	\$20,152
		Jul 2026	\$20,152
		Jul 2027	\$20,152
		Jul 2028	\$0
		Jul 2029	\$0
		Jul 2030	\$0
		Jul 2031	\$0
		Jul 2032	\$0
		Jul 2033	\$0
		Jul 2034	\$0



**REDACTED**



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4avi**

Commercial and Industrial Programs

Waterbury – C-PACE Transaction

December 2, 2014

# 90 Scott Rd (Waterbury)

## Ratepayer Payback



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$1,530,622** to install 290 kW solar PV system
- ▶ Projected savings are **24,109 MMBtu** versus **\$1,530,622** of ratepayer funds at risk.
- ▶ Ratepayer funds will be paid back in one of the following ways
  - ▶ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ▶ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ▶ (c) through receipt of funds from the City of Waterbury as it collects the C-PACE benefit assessment from the property owner.

**PHOTO REDACTED**



# 90 Scott Rd (Waterbury)

## Terms and Conditions



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **\$1,530,622** construction loan at 5% and term loan set at a fixed 6%\* over the 20-year term
- ▶ **\$1,530,622** loan against the property
  - ▶ Property valued at **REDACTED**
  - ▶ Loan-to-value ratio equals **REDACTED** ; Lien-to-value equals **REDACTED**
- ▶ DSCR > **REDACTED**

\* **REDACTED**

# 90 Scott Rd (Waterbury)

## The Five W's



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **What?** Receive approval for a **\$1,530,622** construction and (potentially) term loan under the C-PACE program to Loehmann-Blasius Chevrolet, Inc. to finance the construction of specified energy upgrade
- ▶ **When?** Project to commence 2014
- ▶ **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- ▶ **Who?** Loehmann-Blasius Chevrolet, Inc., the property owner of 90 Scott Rd, Waterbury CT
- ▶ **Where?** 90 Scott Rd, Waterbury, CT



**REDACTED**

# Anticipated Green Bank cash flow



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

CEFIA Pro Forma			
<i>Project Basics</i>		<i>Cash Flows</i>	
		<u>Date</u>	<u>CEFIA \$</u>
Amount Financed	\$1,530,622	Jan 2015	<b>\$1,530,622</b>
Construction Period (years)	0.50	Jul 2015	\$38,266
Term (years)	20	Jan 2016	\$132,437
		Jan 2017	\$132,437
Construction Financing Rate	5.00%	Jan 2018	\$132,437
Term Financing Rate	6.00%	Jan 2019	\$132,437
		Jan 2020	\$132,437
Construction Interest Payment (bullet)	\$38,266	Jan 2021	\$132,437
Yearly Debt Service Payments (made semi-annually)	\$132,437	Jan 2022	\$132,437
		Jan 2023	\$132,437
		Jan 2024	\$132,437
		Jan 2025	\$132,437
		Jan 2026	\$132,437
		Jan 2027	\$132,437
		Jan 2028	\$132,437
		Jan 2029	\$132,437
		Jan 2030	\$132,437
		Jan 2031	\$132,437
		Jan 2032	\$132,437
		Jan 2033	\$132,437
		Jan 2034	\$132,437



**REDACTED**



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #4b**

Commercial and Industrial Programs

Pre-C-PACE Interim CES Innovations Fund Loan

December 2, 2014



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #5**

Audit, Compliance and Governance Committee

December 2, 2014



# **CONNECTICUT GREEN BANK**

Presentation of the Audit for  
June 30, 2014





# The Audit

- Unmodified Opinion on the Financial Statements
- Audit conducted under
  - Auditing Standards Generally Accepted in the United States of America
  - *Government Auditing Standards* issued by the Comptroller General of the United States

# Auditor Reporting to Governance

- **Marcum's responsibility is to report on conducting the engagement:**
  - Significant audit adjustments and proposed but unrecorded adjustments – NONE
  - Disagreements with management about auditing, accounting or disclosure matters – NONE
  - Management's consultations with other auditors – NONE

# Auditor Reporting to Governance

- Difficulties encountered relating to the performance of the audits – NONE
- Material errors or fraud or possible illegal acts – NONE
- Relationships between any of our representatives and CGB that in our professional judgment, may reasonably be thought to bear on independence – NONE
- Major issues discussed with management prior to retention – NONE
- Other items – NONE



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #6**

State of Connecticut Auditor's Report for FY 2012 and 2013

December 2, 2014

# State Auditor Report

## Overview



- ▶ **CGS § 1-122** – Auditors of Public Account to biennially conduct a compliance audit of each quasi-public agency during the agencies two fiscal years preceding
  - ▶ Has agency complied with its regulations concerning affirmative action, personnel practices, purchase of goods and services, use of surplus funds, distribution of loans, grants and other financial assistance.
  - ▶ Audit submitted to Governor, Legislative Program Review and Investigations Committee, and Joint Standing Committee of the General Assembly having cognizance of matters relating to the agency
- ▶ **CGS § 2-90** – similar to CGS § 1-122, with inclusion of maintaining reports on file for a period of 5 years, making records and accounts available to APA, etc.

# State Auditor Report

## Overview (cont'd)



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **History of Filing** – Connecticut Innovations, as administrator of the Connecticut Clean Energy Fund, has reports for (FY 2008-FY 2011).
  - ▶ Findings included campaign contribution limitation overlooked (FY 2008), lack of employee performance appraisals and lack of financial reports in loan agreements (FY 2010), and lack of reporting financial and personnel status reports (FY 2011)

# State Auditor Report

## Findings and Remedies



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

### 1. Administration of Comp-Time

- ▶ **Finding** – personnel policy not adhered to as it was being granted on weekdays (vs. weekends and state holidays) and written permission to earn comp-time must be received in advance.
- ▶ **Remedy** – (1) staff must obtain approval in advance from their direct supervisor and the COO, (2) staff must submit approval and request to human resources for processing, and (3) human resources will not process requests without necessary documentation.

### 2. Awarding of Contracts

- ▶ **Finding** – all contracts are subject to state procurement and contracting requirements and certain language for occupational safety and health, campaign contributions, and non-discrimination not included in contracts.
- ▶ **Remedy** – General Counsel had already identified the problem in FY 2012 and taken action. We have instituted contract template process.

# State Auditor Report

## Findings and Remedies (Cont'd)



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

### 3. Untimely Reporting

- ▶ **Finding** – CGS § 1-123 requires agency to submit several report on a quarterly and annual basis, including financial report (quarterly), personnel status report (quarterly), annual report (yearly), and renewable energy and efficient energy finance program report (yearly). There were instances where reports had not been filed in a timely manner.
- ▶ **Remedy** – (1) assigned ultimate responsibility for managing data collection, development and timely submission of all reports to the COO, (2) developed a schedule of dates for each report and assigned responsibility to members of the management team, and (3) included timely submission as an annual performance goal for each assignee.





**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

### **Agenda Item #7**

Statutory and Infrastructure Programs

December 2, 2014

# Residential Solar Investment Program

## Update



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ **Demand** – approved over 50 MW of projects (27 MW completed or in progress) and 50% HOPBI-EPBB
  - ▶ **Step 5** – incentive equivalent to a \$50 ZREC ( $\$0.84/W_{STC}$ ), has reached 10 megawatt “race to the rooftop” capacity in 3 months
    - ▶ **Incentive Distribution** – 15% HOPBI and 85% PBI
    - ▶ **Local Installers** – about 30% of total demand is from members of Solar Connecticut, which 65% of their projects are now PBI
    - ▶ **Financing Products** – use of financing products by local installers is increasing (nearly 800 applications and \$8.3 million in approved loans and leases in Q1 and Q2 of FY 2015)
    - ▶ **Exceeding Capacity** – Due to unanticipated demand, we expect 15 MWs in Step 5



- ▶ **Public Policy** – making significant progress developing the Solar Home Renewable Energy Credit (SHREC) through the legislative proposal of the “Solar Homes and Jobs Opportunities Act”
  - ▶ **Governor** – campaign target of residential solar PV of 300 MW by 2020
  - ▶ **Key Stakeholders** – DEEP, OCC, utilities, associations, and now reaching out to ENGO’s and key legislative leaders
  - ▶ **Studies** – (1) RPS policy cost (benefits), and (2) economic development



- ▶ **Step 6** – incentive reduction of Step 5 to Step 6 of 20% to a ZREC equivalent price of \$40/REC ( $\sim \$0.65/W_{STC}$ ) to begin on January 1, 2015 with a “race to the rooftop” of 10 MW
- ▶ **Step 7** – reduction of Step 6 of 20-25% to a ZREC equivalent price of  $\sim \$30/\text{REC}$  to begin immediately after Step 6 “Race to the Rooftop” is achieved or July 1, 2015, whichever comes first.
  - ▶ At Step 7 incentive, the revenues expected from REC sales will offset the cost of the incentives
- ▶ **Will work with the Deployment Committee to bring a recommendation to the Board at the 12/19 meeting**

# Residential Solar Investment Program

## Budget Impacts



CLEAN ENERGY  
FINANCE AND INVESTMENT AUTHORITY

- ▶ FY14 – expect to be within \$14,400,000 budget
- ▶ Total statutory estimated cost of RSIP is ~\$100m to deploy no less than 30 MWs
- ▶ Total of \$56.6m in commitments to deploy 50 MWs
- ▶ Estimated cost of \$6,600,000 over 6 years



**CLEAN ENERGY**  
FINANCE AND INVESTMENT AUTHORITY

## **Board of Directors of the Connecticut Green Bank**

**Agenda Item #8**

Adjourn

December 2, 2014

Subject to changes and deletions

## **CONNECTICUT GREEN BANK**

### **Board of Directors**

#### **Draft Minutes**

**Friday, October 17, 2014**

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the "Green Bank")** was held on October 17, 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; John Harrity; Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection ("DEEP"); Kevin Walsh; Reed Hundt (by phone), Mun Choi (by phone) Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development ("DECD").

**Members participating by phone:** Reed Hundt and Mun Choi.

**Members absent:** Matthew Ranelli and Patricia Wrice.

Staff Attending: Bryan Garcia, Bert Hunter, Brian Farnen, Dale Hedman, George Bellas, Mackey Dykes, Kerry O'Neill, Jessica Bailey, Andy Brydges, Craig Connolly, Suzanne Kaswan, Ali Lieberman, John D'Agostino, Joe Buonannata, Alex Kovtunencko, Andrea Janecko and Cheryl Samuels.

Others Attending: Katie Dykes (DEEP), Tracy Babbidge (DEEP) and Matt Storeygard (CI).

**2. Public Comments**

There were no public comments.

**3. Approval of meeting minutes for August 26, 2014**

#### **Resolution #1**

**Upon a motion moved by Norma Glover and second by John Harrity the board unanimously approved the August 26, 2014 Board of Directors meeting minutes.**

#### **4. Update from the President**

##### **Staff Introduction**

Mr. Garcia introduced Craig Connolly as the Green Bank's new Director of Marketing. Mr. Garcia added that Mr. Connolly joins the organization after successfully completing the organizations multi-part recruitment process and brings with him 20 years of experience in product marketing, brand development, and business development from managed care to luxury retail sectors. Mr. Connolly will be leading the upcoming rebrand strategy for the Green Bank and the team is very excited to have him on board. Mr. Garcia also introduced Alysse Lembo-Buzzelli who has joined the Green Bank as a Project Assistant on the C-PACE team.

Mr. Garcia also announced that at a reception held by U.S Bank and its partners, and attended by Mr. Bert Hunter and Ms. Ali Lieberman, U.S Bank attributed their start in conducting billions of dollars of tax equity investment in renewable energy to its transaction with the Connecticut Clean Energy Fund on the CT Solar Lease I back in 2007 and remains a valued partner of the Green Bank within the CT Solar Lease II. Mr. Hunter added that U.S Bank has since completed 1.6 GW of renewable investment with 1 GW being commercial or utility scale solar – ultimately speaking to the catalytic transition of the market. Mr. Hunter expressed that several comments were made pointing to the green bank model as the way to innovation.

In support of clean energy, environmental protection, and economic development, Mr. Garcia suggested the Green Bank submit public comments into Section 111(d) public proceedings of the Clean Air Act. Discussion ensued and board responded with unanimous support for this effort.

##### **Lead by Example**

Mr. Garcia thanked both Commissioners Smith and Klee for their support in coordinating the Lead by Example efforts with OPM to attract private capital investment - "I would also like to thank Bettina Ferguson for her support of the RFQ process for private capital providers and recognize Andy Brydges, Bert Hunter, Diane Duva, Matt Cohen and the Lead by Example team for their determination and patience in developing the initial projects and now qualifying private capital providers to support the ESPC for state facilities".

Mr. Brydges presented an example of the Connecticut Valley Hospital performance contract, noting its water was heated to 279 degrees but not circulating throughout the building. Mr. Brydges explained that after conducting an energy assessment with the state, results calculated an overall loss of 11 million gallons of water per year and 30,000 gallons per day. "This is endemic of what we are seeing at old operating state buildings and an example of one area that performance contracting can assist" stated Mr. Brydges. We are currently focusing on three projects (the Connecticut Valley Hospital, University of Connecticut, and Department of Motor Vehicles DMV) and expect to return to the Board in December to discuss a revolving working capital loan fund.



## **5. Consent Agenda**

Ms. Smith proposed the implementation of a consent agenda process by which agenda items are established in advance of the meeting and motions on the consent agenda are preapproved. Board members vote on the consent agenda and may also request items be removed. Ms. Smith explained that this process will help expedite perfunctory agenda items, allowing for deeper discussions during board meetings.

**Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of implementing consent agenda process.**

### **a. *Approval of Updated Green Bank Bylaws***

#### **Resolution #2**

**WHEREAS**, the Connecticut Green Board of Directors (the “Board”) approved the Green Bank’s By-Laws pursuant to Section 16-245n of the Connecticut General Statutes on August 3, 2011 and made subsequent revisions;

**WHEREAS**, the Board intends to revise the By-Laws to reflect the name change to the Connecticut Green Bank and to formalize its participation in the Joint Committee of the Energy Conservation Management Board and the Green Bank;

**WHEREAS**, the Audit, Compliance, and Governance Committee recommended to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Bylaws as presented on July 17, 2014.

**NOW, therefore be it:**

**RESOLVED**, that the Board hereby approves the attached revised CEFIA By-Laws dated October 17, 2014.

### **b. *Operations Matters – Personal Services Agreements***

**RESOLVED**, that the Connecticut Green Bank Board of Directors hereby authorizes Green Bank staff to extend the professional services agreements (PSAs) currently in place with:

- i. Locus Energy, LLC;
- ii. Marketing Drive, LLC; and
- iii. SmartPower, Inc.;

for the remainder of fiscal year 2015 with the amounts of each PSA not to exceed the applicable approved budget line item; and

**RESOLVED**, that the proper Connecticut 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 execute these extensions.

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

Ms. Bailey provided the Board with a progress report on the C-PACE program, stating that \$27 million in deals have been closed, nearly \$24 million in additional deals have been approved, 97 municipalities have opted into the program (covering approximately 85% of the eligible market), 25 banks have provided mortgage lender consent, and 30 of 100 eligible contractors have submitted projects. She added that the Commercial and Industrial team is looking to expand the number of contractors who regularly bring deals into the program.

Ms. Bailey explained to the Board that the Commercial and Industrial Programs team was recently joined by other Green Bank staff for an off-site meeting to reflect on the accomplishments of the program and to plan goals. She described the goals of the C-PACE program as building blocks of the overall goals of the Green Bank (maximizing the amount of private capital and clean energy deployed in the State and to become self-sustainable and replicable) and compared them to the efforts of Mr. Hundt at the Coalition for Green Capital.

Ms. Bailey reflected on the C-PACE program using three pillars: statutory – what was tasked to the Green Bank by the Legislature, programmatic – program development done by the C-PACE team, and warehouse – having \$20 million then \$40 million authorized by the Board to finance deals off of the Green Bank's balance sheet. She explained that the Finance team has been underwriting the C-PACE deals like a mortgage bank and that the program involves a range of work that has trickled down throughout the organization.

Lastly, Ms. Bailey presented the Board with a forecast for the C-PACE program, explaining that they estimate an additional \$100 million in approved projects by year-end 2015, increasing from 5-10 projects to 20 projects per month. To accommodate the growth, she explained that Green Bank may solicit proposals through an RFP for (a) an external warehouse funded substantially by private capital, and (b) a long-term funding program to replenish the external warehouse (potentially via a rated security). She added that the Green Bank would also like to open the market to other originators, providing a credit enhancement to deals but having the originator do the financial underwriting. She explained that a focus of the C-PACE program continues to be significantly increasing volume but not acting as a limit to growth in the marketplace.

Ms. Glover noted the substantial achievements of the program, highlighting the importance of having the consent of over two dozen banks.

Ms. Smith cautioned the Green Bank on the risks associated with outsourcing pieces of the program to other originators or partners, but commended the idea of leveraging resources. She added that she anticipates the Green Bank staff coming back to the Board with proposed paths

forward, assessing risks and rewards of each. She encouraged Green Bank staff to use the Deployment Committee for guidance.

Mr. Harrity inquired about who would control an external fund and what control the Green Bank would have over them. Ms. Bailey replied that issuing an RFP and evaluating responses over the next few months would help answer that question and guide what direction C-PACE moves in. She noted State contracting language as a potential barrier of the program, stating that borrowers are currently considered contractors of the State who must therefore comply with all contracting provisions.

Mr. Hunter added that the Green Bank will underwrite based off of the process of the external underwriter, and that the two processes will be in lockstep assessing risk as long as Green Bank (i.e., ratepayer) capital and reputation is at risk. He explained that the C-PACE program is growing beyond the capacity of the Green Bank and attributed the success to Ms. Bailey's leadership and the Green Bank staff's support.

Mr. Hundt asked who has expressed interest in partnering with the C-PACE program. Mr. Hunter replied that at a recent conference, it was clear that the asset class of PACE is most sought after because of its good returns and high security. He added that insurance companies, banks, investors in esoteric securities, and others are looking for good assets to invest in that have strong long-term yields, plus the added benefits of being associated with clean energy.

Ms. Bailey explained that demand was a challenge at the beginning of the C-PACE program, however, with the Board's guidance, the Green Bank sparked a new market. She added that the Connecticut C-PACE program is uniquely effective because it is a priority of the State, thereby giving confidence to building owners and mortgage lenders.

**a. C-PACE Transactions**

Ms. Bailey provided an overview of the five C-PACE transactions being presented to the Board for approval. She noted that the five transactions are standard energy efficiency and renewable energy transactions, that they are all structured in a manner familiar to the Board, and require Board approval due to their size.

*5 Old Depot Hill Road, Enfield*

Ms. Bailey discussed the request for C-PACE financing to fund the \$840,640 installation of a 290-kilowatt solar photovoltaic system. She explained that the construction loan would be at 5% and the term loan set at a fixed 6% over the 20-year term.

*38 Security Drive, Avon*

Ms. Bailey discussed the request for C-PACE financing to fund the \$629,352 installation of a 143-kilowatt solar photovoltaic system. She explained that the construction loan would be at 5% and the term loan set at a fixed 6% over the 20-year term.

Ms. Bailey added that this transaction follows typical underwriting procedure and that both this and the Old Depot Road transaction are examples of the ZREC and C-PACE synergy.

*80 Newtown Road, Danbury*

Ms. Bailey discussed the request for \$718,082 in C-PACE financing to fund the installation of HVAC replacements, lighting upgrades, window replacements, and a building management system upgrade. She explained that the construction loan is set at 5% and term loan is at a fixed 5.8% over an 18-year term.

Ms. Bailey and Mr. Hunter highlighted the transaction's 80% loan-to-value rating as being above the Green Bank's standard guideline. They stated, however, that the Finance team had ensured that the property's cash flows are strong enough to support the loan. Mr. Hunter explained that 80 Newtown Road is a Holiday Inn hotel that was purchased by the present owners in January 2014. As a result, the hotel missed the prime corporate booking season for 2014 and the revenues associated with events normally booked in advance. Presently, he added, the hotel already has many events scheduled for 2015 and is on the preferred list of several corporations in the Danbury area. He added that this hotel is not the first location that the property owners renovated in this fashion and that those developments have been quite successful.

*225 New Britain Avenue, Plainville*

Ms. Bailey discussed the request for \$777,313 in C-PACE financing to fund the installation of a 250-kilowatt solar photovoltaic system. She explained that the construction loan is set at 5% and term loan is at a fixed 6% over the 20-year term.

Ms. Bailey noted that this transaction is for an automobile dealership – Crowley Ford – and that it was brought by its contractor in a group of several dealerships as part of a marketing effort in which term rates may decrease if multiple transactions are approved.

Ms. Bailey explained that the Green Bank is seeking the Board's approval of this transaction; however, the Legal team is still working to review the deed, as the building owners are currently in a long term lease with the owners of the land that the building is built on.

Mr. Klee noted that the automobile dealership sector in Connecticut has been very supporting of both C-PACE and the electric vehicle uptick in the State.

*130 Coram Lane, Milford*

Ms. Bailey discussed the request for \$492,323 in C-PACE financing to fund the installation of HVAC and lighting upgrades. She explained that the construction loan is set at 5% and the term loan is at a fixed 5.4% over a 14-year term.

Ms. Bailey noted that the transaction is for a golf course and club that has been operating at a loss over the last few years. She explained that Green Bank team is comfortable moving forward with the transaction because the building has an appraised value of \$15 million.

Ms. Bailey stated that the Green Bank is seeking the Board's approval of this transaction, however, the Finance team must still review the property owner's business plan. She added that the property owner currently contributes approximately \$1 million per year to their business and that the transaction would not close unless staff is comfortable with the overall business recovery plan.

Mr. Klee asked if the Board can wait to approve the transaction until the Green Bank completes its diligence. Ms. Bailey noted that Board approval will assist the furthering discussions with First Niagara, the mortgage holder of the property; however, she restated that diligence does need to be completed prior to any conversations with First Niagara. Mr. Hunter stated that the Green Bank would remove this transaction from the Board's consideration and would be instead present it to the Deployment Committee for approval once further diligence is conducted.

**Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the following resolutions regarding the C-PACE transactions for 1) 5 Old Depot Hill Road, Enfield, 2) 38 Security Drive, Avon, 3) 80 Newtown Road, Danbury, and 4) 225 New Britain Avenue, Plainville.**

*5 Old Depot Hill Road, Enfield*

**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 \$840,640 construction and (potentially) term loan under the C-PACE program to G&M Real Estate Enterprises, LLC, the property owner of 5 Old Depot Hill Road, Enfield 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 October 10, 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 October 17, 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.

*38 Security Drive, Avon*

**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 a \$629,352 construction and (potentially) term loan under the C-PACE program to Norwich Commercial Group, Inc., the property owner of 38 Security Drive, Avon, 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;

**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 October 10, 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 October 17, 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.

*80 Newtown Road, Danbury*

**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 \$718,082 construction and (potentially) term loan under the C-PACE program to Danbury Hospitality, LLC, the property owner of 80 Newtown Road, Danbury, 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 October 10, 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 October 17, 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.

*225 New Britain Avenue, Plainville*

**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 a \$777,313 construction and (potentially) term loan under the C-PACE program to Crowley Ford LLC, the building owner and lessee of 225 New Britain Avenue, Plainville, 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;

**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 October 10, 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 October 17, 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 instrument.

**b. *SRS Professional Service Agreement***

Ms. Bailey explained that Sustainable Real Estate Solutions ("SRS") inboxes the technical information on C-PACE projects from contractors. She stated that the SRS' platform has been a successful tool of the C-PACE program, yet expensive. Green Bank staff has been working with SRS to streamline their processes and thereby cut costs from 4% to 1.5% of project cost.



Ms. Bailey discussed the request for Board approval for the execution of a professional services agreement with SRS for an amount not to exceed \$2 million and consistent with the parameters presented in a memorandum to them.

Ms. Ferguson expressed her pleasure that SRS is a Connecticut based company. Ms. Bailey agreed, adding that SRS is also a Connecticut Innovations-backed company and that since its connection to C-PACE has been getting contracts with other states.

**Upon a motion made by Mr. Harrity, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolution regarding a PSA with Sustainable Real Estate Solutions.**

**RESOLVED**, that the Board of Directors approves the execution of a professional service agreement (“PSA”) with Sustainable Real Estate Solutions, Inc. for an amount not to exceed \$2,000,000 and consistent with the parameters of this memorandum to the Board dated October 9, 2014;

**RESOLVED**, that the President of CEFIA and any other duly authorized officer of CEFIA, is authorized to execute and deliver, any contract or other legal instrument necessary to effectuate such financing on such terms and conditions as he or she shall deem to be consistent with the Program and in the best interests of CEFIA and the ratepayers; and

**RESOLVED**, that the proper CEFIA 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 or instruments.

**7. Residential Sector Program Updates – 15 minutes**

a. Low Income Residential Solar PV Penetration Update – Where are We Now

Kerry O'Neill, Director of Residential Programs, reported on board directives to explore the Connecticut low income market – Ms. O'Neill shared that staff engaged UCONN's Connecticut Center for Economic Analysis to run an analysis at the census tract level in CT to evaluate the deployment of solar projects in the state based on the area median income of census tracts, to understand and the extent to which solar is reach low income areas in Connecticut. Kerry O'Neill expressed that visualization data is still fresh and additional analysis needs to be conducted to address questions surrounding this complex segment, including those in multifamily housing. Ms. O'Neill added that further analysis and potential strategies will be presented at the December board meeting. Ms. Smith stated that DECD is also heavily focused on understanding this market and would be happy to collaborate. Ms. Smith expressed that community outreach will be an important tool in serving this market.

**8. Audit, Compliance and Governance Committee\***

**a. FY 2014 Comprehensive Annual Financial Report**

George Bellas, Vice President of Finance and Administration, updated the board on the draft 2014 Comprehensive Annual Financial Report (CAFR). Mr. Bellas stated that the annual audit for fiscal 2014, performed by Marcum LLP (Marcum), was nearly complete. Marcum has reported to the Green Bank Audit, Compliance and Governance Committee that the audit went smoothly and it is anticipated that there will be no substantive changes to CGB's balance sheet, income statement and statement of cash flows as presented in the draft report. Mr. Bellas added that no action is needed at this time, as a final CAFR will be presented at the December Board of Directors meeting subsequent to meeting with the ACG Committee.

**Resolution #10**

**WHEREAS**, Article V, Section 5.3.1(ii) of the Connecticut Green Bank Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors with respect to the approval of the audit report;

**WHEREAS**, the Committee recommended the Board of Directors of the Green Bank approve the issuance of the draft 2014 Comprehensive Annual Financial Report (CAFR) to the State Comptroller's Office at this time for use in preparing the State wide CAFR;

**NOW**, therefore be it:

**RESOLVED**, that the CGB Board of Directors approves the issuance of the draft 2014 CAFR to the State Comptroller's Office to be used in the preparation of the State CAFR for fiscal year 2014. **Legislative Update**

Based on discussions had the August Board of Directors meeting, Chief Legal Counsel Brian Farnen stated the Connecticut Green Bank's highest legislative priority will be focused on developing a policy to support the RSIP program by creating a "Solar Homes and Job Opportunities Act" that would create a Solar Home Renewable Energy Credit (SHREC). Mr. Garcia highlighted that as of July 2014 the Green Bank has achieved its legislative target of 30MW in approved projects, 8 years ahead of schedule. Mr. Garcia expressed that such dynamics and cap limitations are resultantly restricting the market from achieving its full potential. Mr. Farnen expressed that the RSIP program is proving to be a victim of its own success, as the market continues to double, the Green Bank remains limited to one-third of its statutory cap. Mackey Dykes, Chief Operating Officer, added that similar to the ZREC and LREC process, the SHREC solution would require the utilities to sign a 15-year REC purchase agreements with the Green Bank for RECs from projects supported through the RSIP program. Mr. Farnen added that an important goal for implementing SHREC is supporting residential ratepayers by allowing access to RPS market funds, and in-state economic development and job growth. Commissioner

Smith encouraged the team to engage with the utilities and provide an updated report at the December board meeting.

**9. Role of Green Bank**

Introductory discussions ensued however due to time constrictions Ms. Smith proposed an extra hour be added to the December Board of Directors meeting to further discuss the role of the Green Bank.

**10. Other Business**

*a. Executive Session – Review of the Performance of the President and CEO*

**Upon a motion made by Mr. Harrity, seconded by Ms. Glover, the Board members voted unanimously in favor of transitioning meeting into executive session.**

**Upon a motion made by Mr. Harrity, seconded by Ms. Glover, the Board members voted unanimously in favor of exiting executive session.**

**11. Adjournment:** Upon a motion made by Mr. Klee, seconded by Ms. Ferguson, the Board voted unanimously in favor of adjourning the October 17, 2014 meeting at 11:14 a.m.

**Upon a motion made by Mr. Klee, seconded by Ms. Ferguson, the Board members voted unanimously in favor of exiting executive session.**

Respectfully Submitted,

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Catherine Smith, Chairperson



# CLEAN ENERGY

## FINANCE AND INVESTMENT AUTHORITY

### BOARD OF DIRECTORS

#### **REGULAR MEETING SCHEDULE FOR 2015**

The following is a list of dates and times for **regular meetings** of the Connecticut Green Bank Board of Directors through **2015**.

- January 23, 2015 – Special Meeting from 9:00 to 11:00 a.m.
- April 17, 2015 – Regular Meeting from 9:00 to 11:00 a.m.
- June 19, 2015 – Regular Meeting from 9:00 to 11:00 a.m.
- July 17, 2015 – Regular Meeting from 9:00 to 11:00 a.m.
- October 16, 2015 – Regular Meeting from 9:00 to 11:00 a.m.
- December 18, 2015 – Regular Meeting from 9:00 to 11:00 a.m.

Should a **special meeting** need to be convened for the Connecticut Green Bank board of Directors to review staff proposals or to address other issues that arise, a meeting will be scheduled accordingly.

All regular and special meetings will take place at the:

Connecticut Green Bank  
845 Brook Street, Building #2  
Albert Pope Board Room  
Rocky Hill, CT 06067



# **CLEAN ENERGY**

## **FINANCE AND INVESTMENT AUTHORITY**

### **AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE** **REGULAR MEETING SCHEDULE FOR 2015**

The following is a list of dates and times for regular meetings of the Connecticut Green Bank Audit, Compliance and Governance Committee through **2015**.

- Wednesday, April 22, 2015 – Regular Meeting from 8:30am - 9:30am
- Wednesday, October 21, 2015 – Regular Meeting from 8:30am - 9:30am

All regular meetings will take place at:

Connecticut Green Bank  
845 Brook Street, Building #2  
Albert Pope Board Room  
Rocky Hill, CT 06067



## **CLEAN ENERGY**

### **FINANCE AND INVESTMENT AUTHORITY**

#### **CEFIA BUDGET AND OPERATIONS COMMITTEE 2015 REGULAR MEETING** **SCHEDULE**

The following is a list of dates and times for regular meetings of the Connecticut Green Bank Budget and Operations Committee through **2015**.

- Tuesday, February 3, 2015 – Regular Meeting from 10:00 to 11:00 a.m.
- Thursday, May 21, 2015 – Regular Meeting from 9:00 to 10:30 a.m.
- Thursday, June 11, 2015 – Regular Meeting from 9:00 to 10:30 a.m.

All regular meetings will take place at:

Connecticut Green Bank  
845 Brook Street, Building 2  
Rocky Hill, CT 06067



## **CLEAN ENERGY**

### **FINANCE AND INVESTMENT AUTHORITY**

#### **REGULAR DEPLOYMENT COMMITTEE 2015 MEETING SCHEDULE**

The following is a list of dates and times for regular meetings of the Connecticut Green Bank Deployment Committee through **2015**.

- Tuesday, February 10, 2015 – Regular Meeting from 2:00pm – 3:00pm
- Tuesday, March 3, 2015 – Regular Meeting from 2:00pm – 3:00pm
- Thursday, May 14, 2015 – Regular Meeting from 3:00pm – 4:00pm
- Monday, September 14, 2015 – Regular Meeting from 3:00pm – 4:00pm
- Thursday, November 19, 2015 – Regular Meeting from 2:00pm – 3:00pm

All regular meetings will take place at:

Connecticut Green Bank  
845 Brook Street, Building #2  
Albert Pope Board Room  
Rocky Hill, CT 06067



**CLEAN ENERGY**  
**FINANCE AND INVESTMENT AUTHORITY**

845 Brook Street  
Rocky Hill, Connecticut 06067

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# Memo

**To:** Board of Directors of the Connecticut Green Bank

**From:** Jessica Bailey, Director of C&I and Genevieve Sherman, Assistant Director

**CC:** Bryan Garcia, CEO; Bert Hunter, CIO C&I; Brian Farnen, General Counsel and CLO; Alex Kovtunenکو, Junior Counsel, C&I

**Date:** November 25, 2014

**Re:** Extending timeline for closing certain C-PACE transactions

## Summary

The Connecticut Green Bank Board of Directors (the "Board") has previously approved and authorized financing for the following four C-PACE projects:

1. Amgraph Packing, Inc., 90 Versailles Road, Sprague (approved by Board on 7/18/2014 for \$6,015,892);
2. 290 Pratt St, LLC, 290 Pratt St, Meriden (approved by Board on 7/18/2014 for \$2,852,942);
3. Ellenville Associates, LLC, 255 Bank St, Waterbury (approved by Board on 12/20/2013 for \$524,591 and approval extended on 9/16/2014, approval expires on 12/15/2014);
4. Infinity VII, LLC, 1095 Day Hill Rd, Windsor (approved by Board on 12/20/2013 for \$829,399 and approval extended on 9/16/2014, approval expires on 12/15/2014).

Each financing agreement was authorized to be consistent with the terms, conditions, and memorandums submitted to the Board and made no later than 90 days from the date of Board approval.

Due to delays in fulfilling pre-closing requirements for the transactions listed above, the C-PACE program staff requests more time to close these transactions and execute the financing agreements. The staff requests 120 days, from the date of this December 2, 2014 Board meeting to execute these transactions. Going forward the Connecticut Green Bank staff will request 120 days (instead of 90) to close and execute C-PACE transactions. This will allow for more time to fulfill all pre-closing requirements without requesting frequent time extensions from the Board or Deployment Committee.



## Resolutions

**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**, pursuant to the C-PACE program the Green Bank Board of Directors (the “Board”) has approved and authorized the President of the Green Bank to execute financing agreements for the following four projects and properties: Amgraph Packing, Inc. at 90 Versailles Road, Sprague (approved on 7/18/14), and 290 Pratt St, LLC at 290 Pratt St, Meriden (approved on 7/18/14), Ellenville Associates, LLC at 255 Bank St, Waterbury (approved on 12/20/2013) Infinity VII, LLC at 1095 Day Hill Rd, Windsor (approved on 12/20/2013) (collectively, the “Finance Agreements”);

**WHEREAS**, the Finance Agreements were authorized to be consistent with the terms, conditions, and memorandums submitted to the Board and *shall be executed no later than 90 days from the date of Board approval*;

**WHEREAS**, due to delays in fulfilling pre-closing requirements for the C-PACE transactions listed above the Green Bank will need more time to execute the Finance Agreements; and

**NOW**, therefore be it:

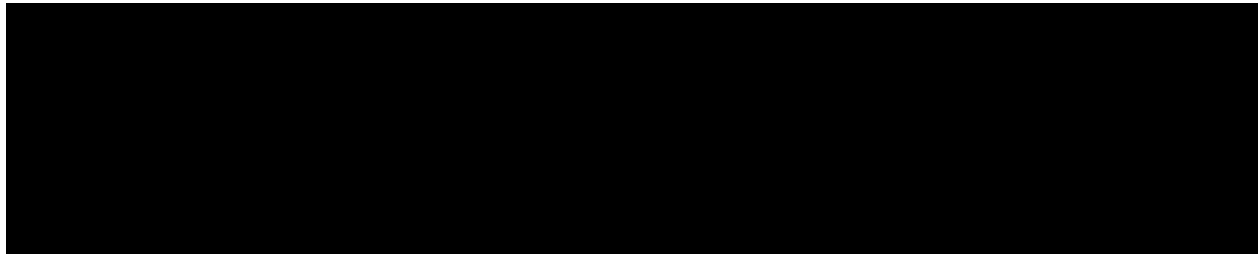
**RESOLVED**, that the Board extends authorization of the Finance Agreements to no later than 120 days from the date of the December 2, 2014 Board meeting and consistent in every other manner with the original Board authorization for each Finance Agreement.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Jessica Bailey, Director of Commercial and Industrial Programs, Brian Farnen, General Counsel and CLO



## 929 Connecticut Avenue: A C-PACE Project in Bridgeport, CT

Address	929 Connecticut Avenue, Bridgeport CT			
Owner	Incubator Associates Limited Partnership			
Proposed Assessment	\$621,575			
Term ( <i>years</i> )	20			
Term Remaining ( <i>months</i> )	Pending Construction Completion			
Annual Interest Rate	6.0%			
Annual C-PACE Assessment	\$58,104			
Savings-to-Investment Ratio	1.01			
Average Debt-Service Coverage Ratio	[REDACTED]			
Loan-to-Value Ratio	[REDACTED]			
Lien-to-Value Ratio	[REDACTED]			
Proposed Energy Savings and/or Produced (MMBtu)		EE	RE	Total
	Per year	199	643	842
	Over term	1,542	11,768	13,310
Estimated Cost Savings	Per year	\$7,647	\$196,118	\$203,765
	Over term	\$65,089	\$1,105,905	\$1,170,994
Objective Function	11.37 kBtu Saved per ratepayer \$ at risk			
Location	City of Bridgeport			
Type of Building	Office			
Year of Build	Most buildings (current total of nine) constructed in 1910's			
Building Size ( <i>total sf</i> )	195,000 (total at 929 Connecticut Avenue parcel)			
Year Acquired by Current Owner	1995			
Appraised Value	[REDACTED]			
Status of Mortgage Lender Consent	Consent obtained (State of Connecticut DECD)			
Proposed Project Description	Installation of a 153kW PV system and LED lighting			
Est. Date of Construction Completion	Pending closing			
Current Status	Pending Board of Directors approval			
Energy Contractors	[REDACTED]			
Additional Comments	[REDACTED]			
	[REDACTED]			
	[REDACTED]			



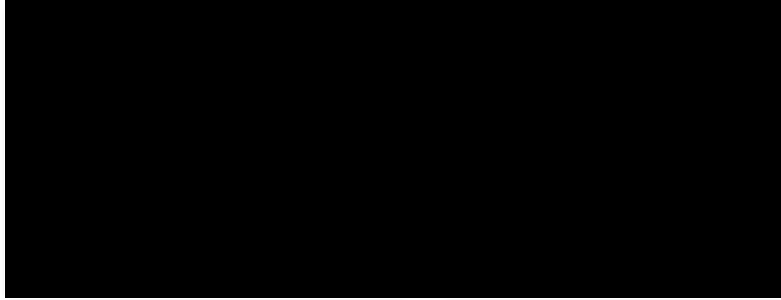
## TSI Harley Davidson: A C-PACE Project in Ellington, CT

Address	380 and 398 Somers Road, Ellington CT (1)			
Owner	Think Snowmobiles, Inc.			
Proposed Assessment	\$495,768495,768			
Term ( <i>years</i> )	10			
Term Remaining ( <i>months</i> )	Pending Construction Completion			
Annual Interest Rate	5.0%			
Annual C-PACE Assessment	\$63,604			
Savings-to-Investment Ratio	1.43			
Average Debt-Service Coverage Ratio	[REDACTED]			
Loan-to-Value Ratio	[REDACTED]			
Lien-to-Value Ratio	[REDACTED]			
Proposed Energy Saved and/or Produced (MMBtu)		EE	RE	Total
	Per year	232	564	796
	Over term	2,227	5,414	7,641
Estimated Cost Savings	Per year	\$46,552	\$41,651	\$88,203
	Over EUL	\$331,878	\$1,041,269	\$1,373,147
Objective Function	30 kBtu Saved per ratepayer \$ at risk			
Location	Town of Ellington			
Type of Building	Retail – Big Box (>25,000 SF)			
Year of Build	1980			
Building Size ( <i>total sf</i> )	25,760			
Year Acquired by Current Owner	2003			
Assessed Value	[REDACTED]			
Status of Mortgage Lender Consent	Awaiting Consent from Webster Bank			
Proposed Project Description	Installation of a 145 kW PV system; HVAC efficiency and fuel switching, lighting upgrades			
Est. Date of Construction Completion	Pending closing			
Current Status	Pending Board of Directors approval			
Energy Contractors	[REDACTED]			
Additional Comments	[REDACTED]			
	[REDACTED]			
	[REDACTED]			
	[REDACTED]			
	[REDACTED]			



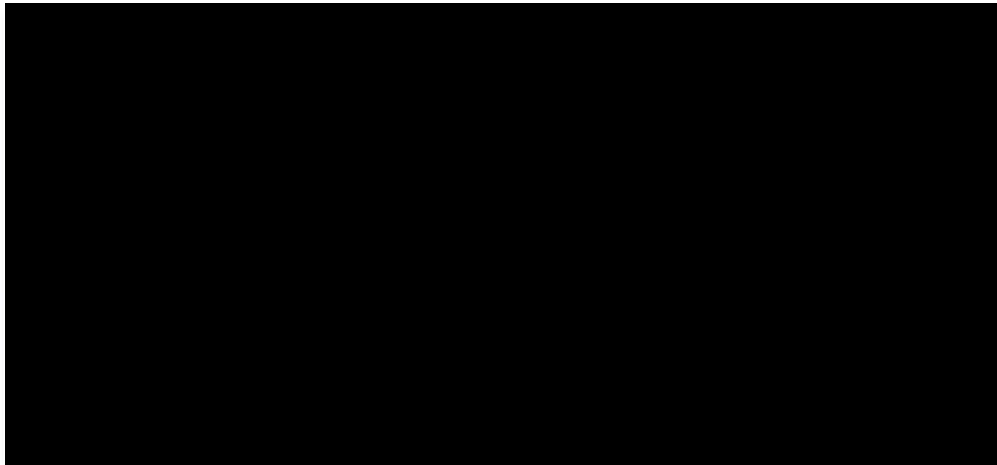
## Manchester Honda and Motorsports: A C-PACE Project in Manchester, CT

Address	24 and 30 Adams Street, Manchester, CT 06042		
Owner	Manchester Sports Center, Inc.		
Proposed Assessment	\$596,725		
Term ( <i>years</i> )	20		
Term Remaining ( <i>months</i> )	Pending Construction Completion		
Annual Interest Rate	6.0%*		
Annual C-PACE Assessment	\$51,631		
Savings-to-Investment Ratio	1.46		
Average Debt-Service Coverage Ratio	[REDACTED]		
Loan-to-Value Ratio	[REDACTED]		
Proposed Energy Savings and/or Produced		RE	Total
	Per year (MMBtu)	819 MMBtu	819 MMBtu
	Over term (MMBtu)	14,984 MMBtu	14,984 MMBtu
Estimated Cost Savings	Per year (\$)	\$74,993	\$74,993
	Life Cycle (\$)	\$1,747,519	\$1,747,519
Objective Function	0.025 MMBtu per ratepayer dollar at risk		
Location	Town of Manchester		
Type of Building	Large Retail: Automobile Dealership and Motorcycle, Motorsports, and Equipment Dealership		
Year of Build	1974 (Manchester Honda)		
	1978 (Manchester Honda Motorsports)		
Building Size ( <i>total sf</i> )	<u>52,700 total</u>		
	40,100 (Manchester Honda)		
	12,600 (Manchester Honda Motorsports)		
Year Acquired by Current Owner	1974		
Appraised Parcel Value	[REDACTED]		
Status of Mortgage Lender Consent	Pending (United Bank)		
Proposed Project Description	100 kW Rooftop Solar Photovoltaic (Manchester Honda) 100 kW Rooftop Solar Photovoltaic (Manchester Honda Motorsports)		
Est. Date of Construction Completion	Pending closing		
Current Status	Pending CT Green Bank Board of Directors Approval		
Energy Contractors	[REDACTED]		
Additional Comments:	[REDACTED]		
	[REDACTED]		
	[REDACTED]		
	[REDACTED]		



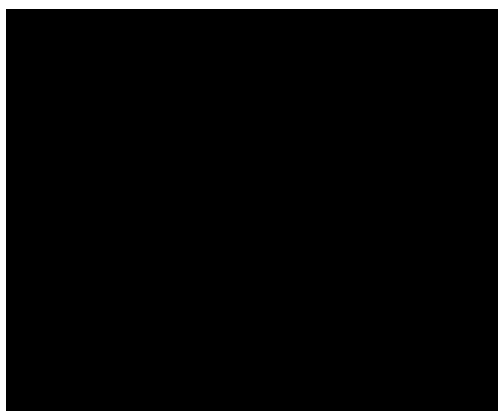
## 60 Johnson Avenue: A C-PACE Project in Plainville, CT

Address	60 Johnson Avenue, Plainville CT			
Owner	Carling Technologies, Inc.			
Proposed Assessment	\$1,116,624			
Term ( <i>years</i> )	20			
Term Remaining ( <i>months</i> )	Pending Construction Completion			
Annual Interest Rate	6.0%			
Annual C-PACE Assessment	\$96,616			
Savings-to-Investment Ratio	1.30			
Average Debt-Service Coverage Ratio	[REDACTED]			
Loan-to-Value Ratio	[REDACTED]			
Lien-to-Value Ratio	[REDACTED]			
Proposed Energy Savings and/or Produced (MMBtu)		EE	RE	Total
	Per year	N/A	2,153	2,153
	Over term	N/A	39,399	39,399
Estimated Cost Savings	Per year	N/A	\$125,208	\$125,208
	Over term	N/A	\$2,504,153	\$2,504,153
Objective Function	35.28 kBtu Saved per ratepayer \$ at risk			
Location	Town of Plainville			
Type of Building	Industrial			
Year of Build	1986			
Building Size ( <i>total sf</i> )	100,000			
Year Acquired by Current Owner	1986			
Appraised Value	[REDACTED]			
Status of Mortgage Lender Consent	N/A (no mortgage debt)			
Proposed Project Description	Installation of a 521 kW PV system			
Est. Date of Construction Completion	Pending closing			
Current Status	Pending Board of Directors approval			
Energy Contractors	[REDACTED]			
Additional Comments				



### Silver Nichols: A C-PACE Project in Trumbull, CT

Address	999 Silver Lane, Trumbull, CT 06611		
Owner	Silver Nichols LLC		
Proposed Assessment	\$185,037		
Term ( <i>years</i> )	13		
Term Remaining ( <i>months</i> )	Pending Construction Completion		
Annual Interest Rate	5.3%		
Annual C-PACE Assessment	\$20,152		
Savings-to-Investment Ratio	1.01		
Average Debt-Service Coverage Ratio	[REDACTED]		
Loan-to-Value Ratio	[REDACTED]		
Proposed Energy Saved and/or Produced		EE	Total
	Per year (MMBtu)	384 MMBtu	384 MMBtu
	Over term (MMBtu)	4,674 MMBtu	4,674 MMBtu
Estimated Cost Savings	Per year (\$)	\$19,627	\$19,627
	Life Cycle (\$)	\$289,586	\$289,586
Objective Function	0.025 MMBtu per ratepayer dollar at risk		
Location	Town of Trumbull		
Type of Building	Multi-Tenant Medical Office		
Year of Build	2002		
Building Size ( <i>total sf</i> )	20,940		
Year Acquired by Current Owner	2002		
Appraised Parcel Value	[REDACTED]		
Status of Mortgage Lender Consent	Pending (Fairfield County Bank)		
Proposed Project Description	Lighting Upgrades, HVAC Replacements, Building Management System		
Est. Date of Construction Completion	Pending closing		
Current Status	Pending CT Green Bank President and CEO Approval		
Energy Contractors	[REDACTED]		



## 90 Scott Road – Blasius Chevrolet: A C-PACE Project in Waterbury, CT

Address	90 Scott Road, Waterbury, CT 06705		
Owner	Loehmann-Blasius Chevrolet, Inc.		
Proposed Assessment	\$1,530,622 (1)		
Term ( <i>years</i> )	20		
Term Remaining ( <i>months</i> )	Pending Construction Completion		
Annual Interest Rate	6.0% (2)		
Annual C-PACE Assessment	\$132,437		
Savings-to-Investment Ratio	1.00		
Average Debt Service Coverage Ratio			
Loan-to-Value Ratio			
Proposed Energy Saved and/or Produced		RE	Total
	Per year (MMBtu)	1,261	1,261
	Over term (MMBtu)	24,109	24,109
Estimated Cost Savings	Per year (\$)	132,029	132,029
	Life Cycle (\$)	2,640,585	2,640,585
Objective Function	0.016 MMBtu saved per ratepayer dollar at risk		
Location	City of Waterbury		
Type of Building	Medium – Retail		
Year of Build	1968		
Building Size ( <i>total sf</i> )	42,400		
Year Acquired by Current Owner	1967		
Appraised Value			
Status of Mortgage Lender Consent	Pending – Ally Bank		
Proposed Project Description	Installation of a 290kW Photovoltaic system		
Est. Date of Construction Completion	Pending closing		
Current Status	Pending CEFIA Board Approval		
Energy Contractors			
Additional Comments:			



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## C-PACE Project Memo

**To:** The Connecticut Green Bank Board of Directors

**From:** Jessica Bailey, Director of C&I Programs, Benjamin Healey, Assistant Director, Clean Energy Finance

**Cc:** Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Genevieve Sherman, Assistant Director, C&I Programs; Alex Kovtunenکو, Junior Counsel, C&I Programs

**Date:** November 25, 2014

**Re:** Comprehensive Energy Strategy Innovation Fund Interim Loan to Little House Properties LLC

---

### Summary

Request for authorization for the Connecticut Green Bank ("Green Bank") to enter into an \$117,091 loan with Little House Properties LLC ("Little House") from the Comprehensive Energy Strategy ("CES") Innovation Fund.

On November 14, 2014, the Deployment Committee of the Green Bank Board approved a \$117,091 C-PACE assessment to install a 32.5 kW solar PV system at the Little House property in Ellington, CT. As noted in the memo, the approval is contingent upon the facility receiving mortgage lender consent. The property has a mortgage from the Small Business Administration ("SBA"). C-PACE staff efforts over the past several months, while moving closer, have not yet secured the statutorily required mortgage lender consent to close the financing on the transaction. While staff believes SBA will eventually consent, the process is taking longer than expected, and in the meantime, the owner is losing ZREC revenue and, if not installed before the end of the calendar year, will not be able to claim and monetize the 30% federal investment tax credit ("ITC") associated with installing the system for the 2014 tax year.

C-PACE staff is requesting board authorization to enter into a loan agreement with the owner of the property to allow the project to be installed and energized in 2014. It is intended to be an interim financing solution, which would then be taken out by a C-PACE assessment once lender consent is achieved. If lender consent is not achieved within 6 months of the loan closing date, the owner would pay the estimated \$35,000 associated with the federal tax credit to the Green Bank as an effective prepayment of principal to significantly lower the amount of unsecured funds outstanding.

The proposed loan would carry with it a number of other conditions designed to compensate the Green Bank and mitigate the risk being taken:



- The owner would pay standard C-PACE closing fees of \$3,410 to Green Bank.
- The Green Bank would take a security interest in the ZREC contract (anticipated to pay upwards of \$4,000 annually).
- The Green Bank would take a security interest in the installed solar system with a UCC-1 filing.
- If the Green Bank is unable to achieve lender consent within 6 months and thus unable to transition to a C-PACE secured assessment, the entire ITC (estimated at \$35,000) would be paid over to reduce the balance of the loan. Green Bank staff will request a copy of the owner's tax return as a condition subsequent to the close, as well as an obligation to submit to the Green Bank the full value of the ITC as it gets monetized. The Green Bank will require a certification from Little House's accountant as to when the owner has monetized the ITC, and Little House will be required to prepay that amount within 60 days of monetization.

The summary of the economics of this transaction are as follows: \$117,091 loan, at a rate of 5% for 10 years. Annual debt service of \$14,903 will be partially covered by the estimated \$4,000 in yearly ZREC revenues, totaling approximately \$60,000 over 15 years. If the project is unable to achieve C-PACE lender consent, the Green Bank will have another \$35,000 security through the investment tax credit. In total, therefore, the Green Bank will have \$95,000 security on an \$117,091 loan in a worst case scenario.

The loan would be drawn from the Board approved Comprehensive Energy Strategy Innovation Fund. The CES Innovation fund is intended to support projects that meet the goals of the state's Comprehensive Energy Strategy. This project clearly meets one of the CES's electricity goals:

To focus on the deployment of renewable energy at scale using limited government resources to induce private sector investment through the Connecticut Green Bank (CEFIA), Zero (and Low) Emissions Renewable Energy Credits, and other innovative financing mechanisms

The staff's rationale for bringing this request to the Board of Directors is as follows: a part of the reason for the Green Bank's successful C-PACE program to date is that contractors and owners bring us projects anticipating that we will work hard to get them financed. That reputation is the reason contractors bring us deal after deal, growing the market for C-PACE financed clean energy projects in Connecticut. Part of building a successful business model for the C-PACE program means trying to make the customer happy. Further, we did not realize SBA would be such a challenge on the lender consent front, and we have already invested several thousand dollars in staff time and technical review time. Staff is recommending this to the board because it seems like a low risk proposition, which will help us to grow the C-PACE brand and get the project installed.

## Resolutions

**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**, On November 14, 2014, the Deployment Committee of the Green Bank approved an \$117,091 C-PACE transaction to finance the installation of a 32.5 kW solar PV system at the Little House Properties LLC property in Ellington, CT. Consistent with the C-PACE program, the approval is contingent upon the property owner receiving mortgage lender consent;

**WHEREAS**, as an interim solution, while waiting for lender consent for the C-PACE assessment, the Green Bank seeks to provide an \$117,091 secured construction loan under the Comprehensive Energy Strategy Innovation Fund to the property owner, Little House Properties LLC, (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 November 25, 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 2, 2014;

**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.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Jessica Bailey, Director of C&I Programs, Benjamin Healey, Assistant Director of Clean Energy Finance.



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# Memo

**To:** The Board of Directors of the Connecticut Green Bank

**From:** George Bellas

**CC:** Bryan Garcia, President and CEO

**Date:** November 25, 2014

**Re:** Draft FY14 Comprehensive Annual Financial Report (CAFR)/Draft FY14 Federal Single Audit Report

---

We have completed the Connecticut Green Bank CAFR for the fiscal year 2014 (Attachment A) and the related Federal Single Audit Report A-133 (Attachment B) and are requesting the Board review and approve the issuance the attached draft documents by staff .

## **FY14 CAFR**

This is the first year that the CGB has prepared a CAFR. In years past only audited financial statements have been prepared and issued. In addition to audited financial information, the CAFR includes financial and non-financial statistical information. The major sections of the CAFR are as follows:

1. At the beginning of the report you will read Bryan Garcia's transmittal letter discussing the achievements of the CGB during the past fiscal year. Included with this letter is a listing of the Board of Directors of the CGB as well as the discretely presented component unit, CEFIA Solar Services, Inc. and an organization chart.
2. Pages 1 through 3 present our independent accountant's report on the CAFR.
3. Pages 4 through 9 present Management's Discussion and Analysis of the financial highlights of FY14 and FY13 which are derived from the financial statements that follow.
4. Pages 10 through 15 present the primary financial statements of the CGB: 1) the statement of net position (pages 10-11), 2) the statement of revenues, expenses and changes in net position (page 12) and 3) the statement of cash flows (pages 13 – 15). In these statements we can begin to see the CGB's non-current assets increase year over year as we move towards financing the CPACE program and the residential loan and lease programs.
5. Pages 16 through 50 present footnotes to the primary financial statements. These notes discuss the nature and organization of the CGB's operations and go into detail regarding

the composition of some of the financial data presented in the primary financial statements.

6. Pages 54 through 58 present financial statistics derived through the primary financial statements for further analysis.
7. Pages 60 through 68 present non-financial statistics related to the CGB's overall mission and objectives.

### **FY14 Federal Single Audit (A-133) Report**

This report is required to be issued to the Federal OMB if an entity expends \$500,000 or greater in federal funds in a fiscal year. Page 6 outlines the funds expended by the CGB for FY14 by Federal Program Title. During FY14 CGB expended \$938,639 in federal funds. During their audit, Marcum issued one finding on pages 8 through 10 in which it recommended that prior to our submission of required quarterly reports pertaining to the State Energy Program to the Connecticut DEEP, an individual other than one of the individuals preparing the quarterly report schedules review the reporting package for completeness and accuracy. The finding noted that test work did not disclose any errors in reporting. Beginning with the December 31, 2014 quarterly report we will designate our Chief Operating Officer as the person to review the report before submission.

### **Resolution**

**WHEREAS**, Article V, Section 5.3.1(ii) of the Connecticut Green Bank ("Green Bank") Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors of the Green Bank (the "Board") with respect to the approval of the audit report;

**WHEREAS**, the Committee recommended to the Board for approval the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachments A and B).

**NOW**, therefore be it:

**RESOLVED**, that the Board approves the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachments A and B).

DRAFT

**CONNECTICUT GREEN BANK**  
(A Component Unit of the State of Connecticut)

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2014**  
(With Summarized Totals as of and for Fiscal Year Ended June 30, 2013)

Department of Finance and Administration  
845 Brook Street  
Rocky Hill, Connecticut

## **CONNECTICUT GREEN BANK**

(A Component Unit of the State of Connecticut)

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2014**

(With Summarized Totals as of and for Fiscal Year Ended June 30, 2013)

Prepared by the

Department of Finance and Administration

Vice President – Finance and Administration – George Bellas

845 Brook Street  
Rocky Hill, Connecticut

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# DRAFT

## INTRODUCTORY SECTION





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[DATE]

We are pleased to present a Comprehensive Annual Financial Report (CAFR) of the Connecticut Green Bank (CGB) for the fiscal year ending June 30, 2014 accompanied by summarized totals as of and for the fiscal year ended June 30, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose.

Marcum LLP has issued an unmodified opinion on CGB's financial statements for the fiscal years ending June 30, 2014 and 2013. The independent auditor's report is presented in the financial section of this report. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. CGB's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Connecticut Green Bank**

The CGB<sup>1</sup> was established by the Governor and Connecticut's General Assembly on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes the former Connecticut Clean Energy Fund. As the nation's first state "Green Bank", the CGB leverages public and private funds to drive investment and scale-up clean energy deployment in Connecticut.

Pursuant to Section 16-245n of the General Statutes of Connecticut, the powers of the CGB are vested in and exercised by a Board of Directors that is comprised of eleven voting and two non-voting members each with knowledge and expertise in matters related to the purpose of the organization.

The Board of Directors is governed through the statute, as well as an [Ethics Statement](#) and [Ethical Conduct Policy](#), [Resolutions of Purposes](#), [Bylaws](#), and Comprehensive Plan.

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security and address climate change.

CGB's mission is to support the Governor's and Legislature's energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and supporting local economic development.

---

<sup>1</sup> Public Act 11-80 repurposed the Connecticut Clean Energy Fund (CCEF) administered by Connecticut Innovations, into a separate quasi-public organization called the Clean Energy Finance and Investment Authority (CEFIA). Per Public Act 14-94, CEFIA was renamed to the Connecticut Green Bank.

To achieve its vision and mission, the CGB has established the following three goals:

1. To attract and deploy capital to finance the clean energy<sup>2</sup> goals for Connecticut, including:
  - a. Help Connecticut in becoming the most energy efficient state in the nation;
  - b. Scale-up the deployment of renewable energy in Connecticut; and
  - c. Provide support for the infrastructure needed to lead the clean energy economy.
2. To develop and implement strategies that bring down the cost of clean energy in order to make it more accessible and affordable to consumers.
3. To reduce reliance on grants, rebates, and other subsidies and move towards innovative low-cost financing of clean energy deployment.

These goals support the implementation of Connecticut's clean energy policies be they statutory (i.e., Public Act 11-80, Public Act 13-298), planning (i.e., Comprehensive Energy Strategy, Integrated Resources Plan), or regulatory in nature.

CGB's strategies for achieving these goals over the next two fiscal year is outlined in the FY15 and FY16 Comprehensive Plan<sup>3</sup>

## **Initiatives and Results**

### *Deploying More Clean Energy, Creating Jobs, and Reducing Greenhouse Gas Emissions*

Since the inception of the CGB, our efforts have focused on supporting the Governor's and Legislature's energy policy by using limited public resources to attract more private investment in clean energy deployment in Connecticut. To that end, as a result of the efforts undertaken over the past three years, we are deploying more clean energy in our state than ever before – 66.3 MW in anaerobic digester, combined heat and power, fuel cell, solar PV, and wind resources. Connecticut's residents, businesses and institutions now have easier access to affordable capital to finance clean energy projects than ever before.

By using \$100 million of ratepayer funds, we have attracted over \$250 million of private investment in clean energy for a total investment of \$350 million to support clean energy projects creating nearly 2,500 jobs and reducing carbon emissions by over 580,000 tons. More importantly, rather than giving away ratepayer resources to support the sustainable growth and development of a thriving clean energy market in Connecticut, the CGB has transitioned from providing 100 percent of its resources as grants and subsidies to 40 percent by more responsibly managing public funds through loans. The CGB and its partners are working together to deploy more clean energy at a faster pace while using public resources responsibly.

---

<sup>2</sup> Public Act 11-80 defines "clean energy" broadly and includes familiar renewable energy sources such as solar photovoltaic, solar thermal, geothermal, wind and low-impact hydroelectric energy, but also includes fuel cells, energy derived from anaerobic digestion (AD), combined heat and power (CHP) systems, infrastructure for alternative fuels for transportation and financing energy efficiency projects.

<sup>3</sup> <http://www.ctcleanenergy.com/Portals/0/CEFIA%20FY15%20and%20FY16%20Comprehensive%20Plan.pdf>

## *Delivering on the Promise – Connecticut Green Bank is Working for You*

In only a couple of years, the CGB has demonstrated how public resources can be better invested in ways that attract private investment, lead to the deployment of more clean energy, and most importantly providing positive value to consumers. Consumers are benefiting through our financing programs that offer lower cost and longer terms enabling them to immediately receive positive economic benefits from clean energy – the energy savings exceed the debt service payments. Businesses and non-profit organizations are using C-PACE to lower their energy expenses by installing more efficient boilers and renewable energy systems, replacing windows, integrating energy management systems, and more. Households are taking advantage of the CT Solar Lease, CT Solar Loan, and EnergizeCT Smart-E Loan to reduce their energy budget by converting to natural gas, installing solar photovoltaic systems, insulating their walls and attic, and more.

As we continue to learn more every day about your challenges, we are confident that we can deliver you solutions – and in so doing, we not only stimulate the growth of clean energy, but we also strengthen our economy and protect our environment.

## *Setting an Example for the Country – The Green Bank Model at Work*

This year, we have seen the results of the CGB model and its programs take hold in states across the country. Not only are we delivering results for Connecticut, but the actions that we are taking are causing other states to take note and follow our lead.

- Connecticut co-hosted with the Brookings Institution and the Coalition for Green Capital, the first Green Bank Academy in Washington, DC that brought together ten states to discuss the Green Bank model. Our neighbors to the south – New Jersey and New York – have since created green banks within their states,<sup>4</sup> and our friends out west in California and Hawaii are pursuing similar models. Federal legislation called the “Green Bank Act of 2014” was even introduced in the House<sup>5</sup> by Congressman Van Hollen and Senate<sup>6</sup> by Senators Murphy and Blumenthal to create a \$50 billion U.S. Green Bank modelled after Connecticut. President Obama even called out the leadership of the Connecticut Green Bank.<sup>7</sup>
- Connecticut is the first state to use its cap-and-trade revenues from the Regional Greenhouse Gas Initiative (RGGI) to successfully securitize a pool of commercial and industrial energy efficiency and renewable energy transactions through the Commercial Property Assessed Clean Energy (C-PACE) program. By using greenhouse gas allowance revenues through RGGI to support C-PACE, we are able to attract more private capital investment in Connecticut’s communities in order to deliver 40 to 50 percent energy savings in buildings – making our businesses more competitive by lowering energy costs.

These are but a few examples where the CGB model has become a catalyst to releasing more private investment in clean energy across the country.

---

<sup>4</sup> New Jersey Energy Resilience Bank and the New York Green Bank

<sup>5</sup> H.R. 4522

<sup>6</sup> S. 2271

<sup>7</sup> The Wall Street Journal in “Goldman’s Cleantech Activities Receive a Presidential Shout Out” (May 9, 2014)

## **Economic Conditions and Developments**

CGB receives funding through a number of sources, including a Systems Benefit Charge, the Regional Greenhouse Gas Initiative (RGGI), renewable energy certificate (REC) sales and the federal government. CGB's predecessor organization's programs were all structured as grants, which meant the funds were spent with no expectation of return. This model put the organization at the mercy of these funding streams which, while reliable, are largely determined by activities outside of our control such as levels of state electricity use and RGGI allowance prices. With the transition to a new financing model, CGB is able to invest its funds in activities that earn a return and begin to build revenue streams that can be reinvested in clean energy.

## **Acknowledgements**

First and foremost, we would like to thank the entire CGB staff. In just three short years, through their hard work, dedication and innovation, they have built a model that is delivering results and making Connecticut a focus of attention at the national and international levels.

The preparation of this report would not have been possible without the dedicated work of the Finance and Accounting team. We thank them for their hard work.

We are grateful to our independent auditors, Marcum LLP, for their assistance and advice during the course of this audit.

Finally, we thank the Board of Directors for their continued leadership and guidance as the CGB continues to prove the Green Bank model and deliver cleaner, cheaper, and more reliable energy to Connecticut.

Respectfully submitted,

Bryan Garcia  
President and CEO

George Bellas  
Vice President – Finance and Administration

## Board of Directors

### Connecticut Green Bank

Position	Status	Voting	Name	Organization
State Treasurer (or designee)	Ex Officio	Yes	Bettina Ferguson	Treasurer's Office
Commissioner of DEEP <sup>8</sup> (or designee)	Ex Officio	Yes	Robert Klee <sup>9</sup>	DEEP
Commissioner of DECD <sup>10</sup> (or designee)	Ex Officio	Yes	Catherine Smith <sup>11</sup>	DECD
Residential or Low Income Group	Appointed	Yes	Pat Wrice	Operation Fuel
Investment Fund Management	Appointed	Yes	Norma Glover	NJG Associates
Environmental Organization	Appointed	Yes	Matthew Ranelli <sup>12</sup>	Shipman & Goodwin
Finance or Deployment	Appointed	Yes	Thomas Flynn	Environmental Data Resources
Finance of Renewable Energy	Appointed	Yes	Reed Hundt <sup>13</sup>	Coalition for Green Capital
Finance of Renewable Energy	Appointed	Yes	Kevin Walsh	GE Energy Financial Services
Labor	Appointed	Yes	John Harrity	IAM Connecticut
R&D or Manufacturing	Appointed	Yes	Mun Choi	University of Connecticut
President of the Green Bank	Ex Officio	No	Bryan Garcia	Connecticut Green Bank
Board of Connecticut Innovations <sup>14</sup>	Ex Officio	No	(unfilled)	(unfilled)

### Discretely Presented Component Units

Position	Name
President	Bryan Garcia
Treasurer	George Bellas
Secretary	Brian Farnen
Chief Investment Officer	Roberto Hunter

<sup>8</sup> Department of Energy and Environmental Protection

<sup>9</sup> Vice Chairperson of the Board of Directors and Chairperson of the Budget and Operations Committee

<sup>10</sup> Department of Economic and Community Development

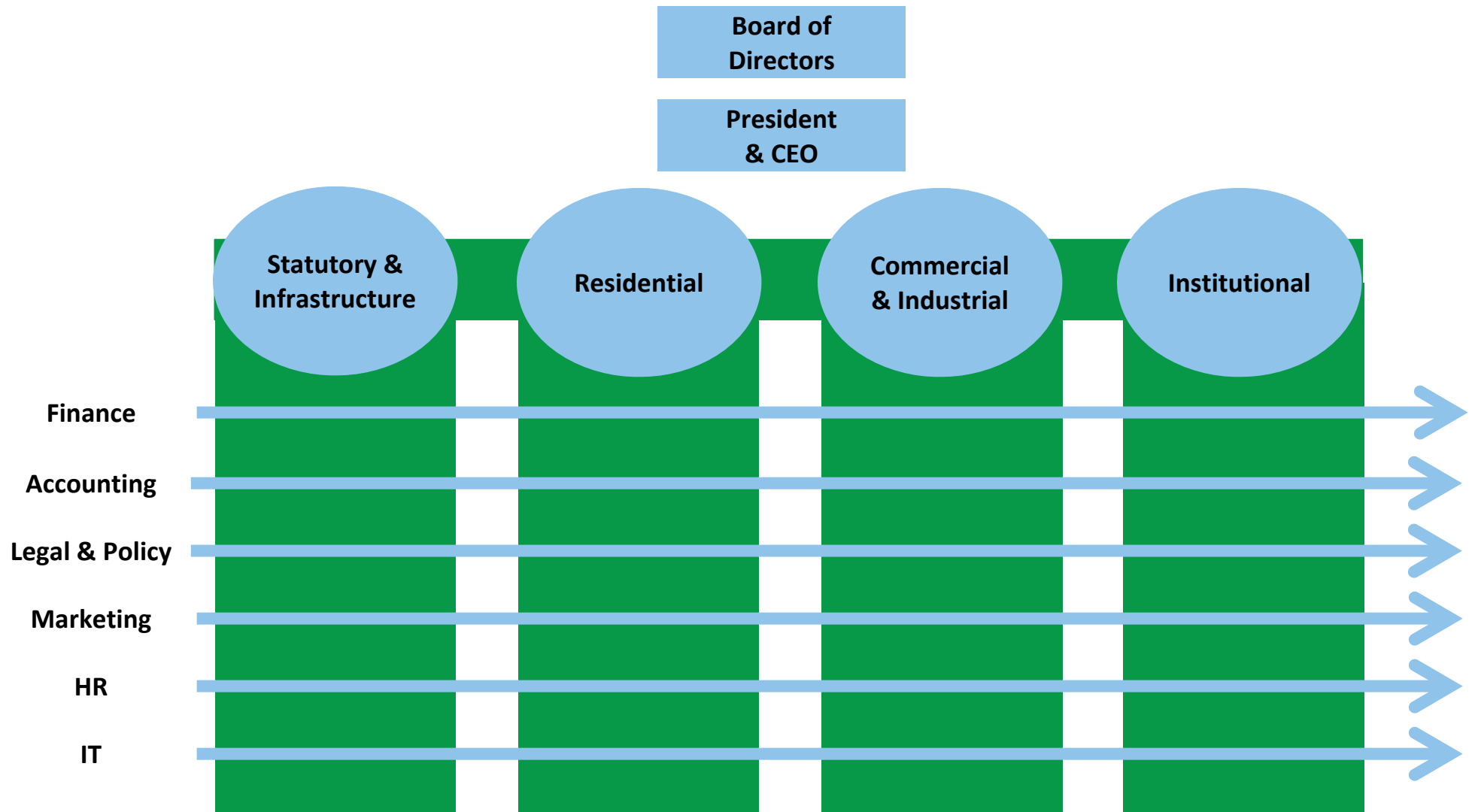
<sup>11</sup> Chairperson of the Board of Directors

<sup>12</sup> Secretary of the Board of Directors and Chairperson of the Audit, Compliance and Governance Committee

<sup>13</sup> Chairperson of the Deployment Committee

<sup>14</sup> It should be noted that several members of the Board of Directors of the Green Bank currently serve on the Board of Directors of Connecticut Innovations, including Mun Choi and Catherine Smith.

## Organizational Chart



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**FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**Connecticut Green Bank**

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the Connecticut Green Bank (CGB) (a component unit of the State of Connecticut) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CGB's basic financial statements, as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Green Bank as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Restatement of Net Position***

As described in Note 1, net position of the total reporting entity and a discretely presented component unit has been restated at July 1, 2013 to reflect the capitalization of certain costs related to financing activities as well as a reclassification of a liability to net position. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

### ***Other Information***

The financial statistical section and other statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

***Other Matter – 2013 Financial Information***

As described in Note 1, the financial statements include prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. This information has been derived from CGB's 2013 complete financial statements on which our audit report dated December 23, 2013 expressed unmodified opinions on the primary government and its discretely presented component units. Accordingly, such information should be read in conjunction with CGB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2014, on our consideration of the Connecticut Green Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Green Bank's internal control over financial reporting and compliance.

Hartford, CT  
\_\_\_\_\_, 2014

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Connecticut Green Bank (CGB), formerly known as the Clean Energy Finance and Investment Authority, (a component unit of the State of Connecticut) for the fiscal years ended June 30, 2014, 2013, and 2012. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements included in the "Financial Statements" section of this report.

CBG as a reporting entity is comprised of the primary government and two discretely presented component units as defined under Government Auditing Standards Board Statement 61.

**FINANCIAL STATEMENTS PRESENTED IN THIS REPORT**

On June 6, 2014, Public Act 14-94 of the State of Connecticut changed the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank.

CGB is a quasi-public agency of the State of Connecticut established on July 1, 2011 by Section 16-245n of the Connecticut General Statutes, created for the purposes of, but not limited to: (1) implementing the Comprehensive Plan developed by CGB pursuant to Section 16-245n(c) of the Connecticut General Statutes, as amended; (2) developing programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects, and such others as CGB may determine; (3) supporting financing or other expenditures that promote investment in clean energy sources to foster the growth, development and commercialization of clean energy resources and related enterprises; and (4) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end-use customers in the state. CGB constitutes the successor agency to Connecticut Innovations for the purposes of administering the Connecticut Clean Energy Fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CGB as of July 1, 2011.

The financial statements include: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a measure of CGB's economic resources. The Statement of Revenues, Expenses and Changes in Net Position measures the transactions for the periods presented and the impact of those transactions on the resources of CGB. The Statement of Cash Flows reconciles the changes in cash and cash equivalents with the activities of CGB for the periods presented. The activities are classified as to operating, noncapital financing, capital and related financing, and investing activities.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS OF FISCAL 2014

*NET POSITION*

Net position increased by \$17.0 million to \$115.1 million at June 30, 2014 and cash and cash equivalents increased by \$3.2 million in 2014 to \$80.9 million.

The acquisition of \$1.6 million in bonds was a part of the proceeds received by CGB as a result of the sale of CPACE program loans in 2014. See Note 5. Solar lease notes decreased \$0.7 million as a result of scheduled principal repayments. See Note 6. The increase in program loans in 2014 to \$13.4 million as compared to \$3.8 million in 2013 was primarily a result of increased CGB financings of CPACE and Grid Tied projects. See Note 7. Capital assets increased to \$3.1 million from \$0.4 million in 2014 as a result of the acquisition of solar equipment by CT Solar Lease 2 LLC. See Note 1 for further discussion of CT Solar Lease 2 LLC's operations.

As of June 30, 2014, the Board of Directors designated \$63.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 13. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional \$34 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2014 and 2013 (in thousands):

	2014	(as restated) 2013	Increase (Decrease)
Cash and cash equivalents	\$ 80,872	\$ 77,642	\$ 3,230
Bonds receivable	1,600	--	1,600
Portfolio investments	1,000	1,000	--
Solar lease notes	10,544	11,240	(696)
Program loans	13,403	3,788	9,615
Capital assets, net	3,074	362	2,712
Other assets	9,996	6,284	3,712
<b>Total Assets</b>	<b>120,489</b>	<b>100,316</b>	<b>20,173</b>
Current liabilities	4,801	1,816	2,985
Deferred revenue	469	--	469
Long term debt, less current maturities	121	--	121
<b>Total Liabilities</b>	<b>5,391</b>	<b>1,816</b>	<b>3,575</b>
Invested in capital assets	3,074	362	2,712
Restricted Net Position:			
Non-expendable	1	1	--
Restricted - energy programs	9,513	9,537	(24)
Unrestricted	102,510	88,600	13,910
<b>Total Net Position</b>	<b>\$ 115,098</b>	<b>\$ 98,500</b>	<b>\$ 16,598</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHANGES IN NET POSITION**

Revenue from interest on cash deposits and promissory notes increased \$455 thousand to \$1.14 million in 2014. CGB received \$20.1 million from the State in RGGI auction proceeds during the year as compared to RGGI auction proceeds of \$4.7 million in 2013. Public Act 13-247, see Note 9, allowed the Commissioner of the Connecticut Department of Energy and Environmental Protection to transfer additional RGGI auction proceeds to CGB to be used to support energy efficiency financing opportunities. This increase in RGGI auction proceeds helped offset payments to the State by CGB required under Public Act 13-247.

Total expenditures for grants and programs in 2014 were \$23.4 million, a decrease of \$196 thousand from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee.

General and administrative expenses decreased by \$128 thousand from \$2.6 million to \$2.5 million.

The following table summarizes the changes in net position between June 30, 2014 and 2013 (in thousands):

	2014	(as restated) 2013	Increase (Decrease)
<b>Revenues</b>	<u>\$ 48,754</u>	<u>\$ 43,343</u>	<u>\$ 5,411</u>
<b>Operating Expenses</b>			
Provision for loan losses	1,311	--	1,311
Grants and programs	23,439	23,635	(196)
General and administrative expense	<u>2,537</u>	<u>2,665</u>	<u>(128)</u>
<b>Total Operating Expenses</b>	<u>27,287</u>	<u>26,300</u>	<u>987</u>
<b>Operating Income</b>	21,467	17,043	4,424
<b>Non-Operating Revenues (Expenses)</b>			
Interest earned	1,142	689	453
Investment loss	--	(657)	657
Capital contribution	201	238	(37)
Distribution to member	(12)	--	(12)
Payments to State of Connecticut	<u>(6,200)</u>	<u>--</u>	<u>(6,200)</u>
<b>Net Change</b>	<u>\$ 16,598</u>	<u>\$ 17,313</u>	<u>\$ (715)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## FINANCIAL HIGHLIGHTS OF FISCAL 2013

*NET POSITION*

Net position increased by \$17.3 million to \$98.5 million at June 30, 2013 and cash and cash equivalents increased by \$4.4 million in 2013 to \$77.6 million. Cash increased primarily as a result of greater than expected proceeds received from Regional Greenhouse Gas Initiative (RGGI) auctions and a reduction in grant activity and CEFIA's transition to a financing model as opposed to grant model to fund renewable energy and energy efficiency projects, See Note 7.

Other assets are composed primarily of utility customer assessment receivables and RGGI auction receivables. The promissory note portfolio of \$11.2 million as of June 30, 2013 and \$11.7 million as of July 1, 2012 funded a residential photovoltaic equipment lease program which ended during 2012.

As of June 30, 2013, the Board of Directors designated \$24.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 8. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional \$33.8 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2013 and 2012 (in thousands):

	(as restated) 2013	2012	Increase (Decrease)
Cash, certificates of deposit	\$ 77,642	\$ 73,214	\$ 4,428
Portfolio investments	4,788	2,155	2,633
Promissory notes	11,240	11,736	(496)
Capital assets, net	362	91	271
Other assets	6,284	4,980	1,304
<b>Total Assets</b>	<b>100,316</b>	<b>92,176</b>	<b>8,140</b>
Current liabilities	1,816	2,625	(809)
Deferred revenue	--	8,363	(8,363)
<b>Total Liabilities</b>	<b>1,816</b>	<b>10,988</b>	<b>(9,172)</b>
Invested in capital assets	362	91	271
Restricted Net Position:			
Non-expendable	1	--	1
Restricted - energy programs	9,537	177	9,360
Unrestricted	88,600	80,921	7,679
<b>Total Net Position</b>	<b>\$ 98,500</b>	<b>\$ 81,189</b>	<b>\$ 17,311</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**CHANGES IN NET POSITION**

Revenue from interest on cash deposits and solar lease notes decreased \$42 thousand to \$687 thousand in 2013. Interest on short-term investments and cash deposits decreased due to the changes in interest rates. CEFIA received \$4.7 million from the State in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2013 were \$23.6 million, a decrease of \$7.5 million from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. In addition, CEFIA is transitioning to primarily a financing model as opposed to primarily issuing grants to fund renewable energy and energy efficiency projects.

General and administrative expenses increased by \$1.3 million from \$1.4 million to \$2.7 million.

The net loss of \$657,000 in investments represents write offs of investments previously reserved for and adjustments to the valuation of equity and debt investments currently held.

The following table summarizes the changes in net position between June 30, 2013 and 2012 (in thousands):

	(as restated) 2013	2012	Increase (Decrease)
<b>Revenues</b>	<u>\$ 43,343</u>	<u>\$ 39,754</u>	<u>\$ 3,589</u>
<b>Operating Expenses</b>			
Grants and programs	23,635	31,122	(7,487)
General and administrative expense	<u>2,665</u>	<u>1,388</u>	<u>1,277</u>
<b>Total Operating Expenses</b>	<u>26,300</u>	<u>32,510</u>	<u>(6,210)</u>
<b>Operating Income</b>	17,043	7,244	9,799
Interest earned	689	729	(40)
Investment loss	(657)	435	(1,092)
Capital Contribution	<u>238</u>	<u>--</u>	<u>238</u>
<b>Net Change in Net Position</b>	<u>\$ 17,313</u>	<u>\$ 8,408</u>	<u>\$ 8,905</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of CGB's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Finance and Administration, 845 Brook Street, Rocky Hill, Connecticut 06067.



# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF NET POSITION

**JUNE 30, 2014**

(With Summarized Totals for June 30, 2013)

	Primary Government	Discretely Presented Component Units CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations	2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 70,113,857	\$ 1,244,796	\$ 123	\$ --	\$ 71,358,776	\$ 68,105,014
Accounts receivable	4,547,770	--	--	--	4,547,770	1,940,835
Utility customer assessments receivable	3,402,401	--	--	--	3,402,401	2,604,826
Other receivables	355,405	--	120,000	(120,000)	355,405	--
Due from component units	10,265,044	--	--	(10,265,044)	--	--
Prepaid expenses and other assets	126,307	34,449	--	--	160,756	194,056
Current portion of solar lease notes	766,086	--	--	--	766,086	704,032
Current portion of program loans, net	652,447	--	--	--	652,447	--
<b>Total Current Assets</b>	<u>90,229,317</u>	<u>1,279,245</u>	<u>120,123</u>	<u>(10,385,044)</u>	<u>81,243,641</u>	<u>73,548,763</u>
<b>Noncurrent Assets</b>						
Portfolio investments	1,000,000	--	--	--	1,000,000	1,000,000
Bonds receivable	1,600,000	--	--	--	1,600,000	--
Solar lease notes, less current portion	9,778,315	--	--	--	9,778,315	10,536,136
Program loans, less current portion, net	12,750,457	--	--	--	12,750,457	3,788,094
Renewable energy credits	1,069,390	--	--	--	1,069,390	1,217,491
Investment in component units	100	--	4,794,801	(4,794,901)	--	--
Deferred financing fees, net	--	458,883	--	--	458,883	326,758
Capital assets, net of depreciation and amortization	289,932	3,538,975	--	(754,570)	3,074,337	362,505
Restricted assets:						
Cash and cash equivalents	5,013,715	4,500,000	--	--	9,513,715	9,536,656
<b>Total Noncurrent Assets</b>	<u>31,501,909</u>	<u>8,497,858</u>	<u>4,794,801</u>	<u>(5,549,471)</u>	<u>39,245,097</u>	<u>26,767,640</u>
<b>Total Assets</b>	<u>\$ 121,731,226</u>	<u>\$ 9,777,103</u>	<u>\$ 4,914,924</u>	<u>\$ (15,934,515)</u>	<u>\$ 120,488,738</u>	<u>\$ 100,316,403</u>

*The accompanying notes are an integral part of these financial statements.*

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF NET POSITION (CONTINUED)

**JUNE 30, 2014**

(With Summarized Totals for June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
		CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations		
<b>Liabilities and Net Position</b>						
<b>Liabilities</b>						
Current maturities of long-term debt	\$ 6,280	\$ --	\$ --	\$ --	\$ 6,280	\$ --
Accounts payable and accrued expenses	3,751,694	314,678	--	(120,000)	3,946,372	1,401,498
Due to primary government	--	5,459,343	4,805,701	(10,265,044)	--	--
Due to outside agency	439,643	--	--	--	439,643	21,300
Custodial liability	408,979	--	--	--	408,979	360,000
Deferred revenue	58,000	411,009	--	--	469,009	33,000
<b>Total Current Liabilities</b>	4,664,596	6,185,030	4,805,701	(10,385,044)	5,270,283	1,815,798
<b>Long-Term Debt</b> , less current maturities	119,808	--	--	--	119,808	--
<b>Total Liabilities</b>	4,784,404	6,185,030	4,805,701	(10,385,044)	5,390,091	1,815,798
<b>Net Position</b>						
Invested in capital assets	289,932	3,538,975	--	(754,570)	3,074,337	362,505
Restricted net position						
Non-expendable	1,000	1,294,801	100	(1,294,801)	1,100	1,000
Restricted - energy programs	5,013,715	4,500,000	--	--	9,513,715	9,536,656
Unrestricted (deficit)	111,642,175	(5,741,703)	109,123	(3,500,000)	102,509,595	88,600,444
<b>Total Net Position</b>	116,946,822	3,592,073	109,223	(5,549,371)	115,098,747	98,500,605
<b>Total Liabilities and Net Position</b>	\$ 121,731,226	\$ 9,777,103	\$ 4,914,924	\$ (15,934,415)	\$ 120,488,838	\$ 100,316,403

*The accompanying notes are an integral part of these financial statements.*

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations	2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
<b>Operating Revenue</b>						
Utility customer assessments	\$ 27,779,345	\$ --	\$ --	\$ --	\$ 27,779,345	\$ 27,621,409
Grant revenue	321,642	--	--	--	321,642	10,035,250
RGGI Auction income	20,074,668	--	--	--	20,074,668	4,744,657
Energy sytem sales	3,548,840	--	--	(3,548,840)	--	--
Other income	576,788	1,770	120,000	(120,000)	578,558	941,777
<b>Total Operating Revenue</b>	<b>52,301,283</b>	<b>1,770</b>	<b>120,000</b>	<b>(3,668,840)</b>	<b>48,754,213</b>	<b>43,343,093</b>
<b>Operating Expenses</b>						
Cost of goods sold	2,794,270	--	--	(2,794,270)	--	--
Provision for loan losses	1,310,933	--	--	--	1,310,933	--
Grants and program expenditures	22,948,676	600,186	10,500	(120,000)	23,439,362	23,634,465
General and administrative expenses	2,408,715	127,511	377	--	2,536,603	2,664,883
<b>Total Operating Expenses</b>	<b>29,462,594</b>	<b>727,697</b>	<b>10,877</b>	<b>(2,914,270)</b>	<b>27,286,898</b>	<b>26,299,348</b>
<b>Operating Income (Loss)</b>	<b>22,838,689</b>	<b>(725,927)</b>	<b>109,123</b>	<b>(754,570)</b>	<b>21,467,315</b>	<b>17,043,745</b>
<b>Nonoperating Revenue (Expenses)</b>						
Interest income - promissory notes	1,034,953	8,642	--	--	1,043,595	583,575
Interest income - short term cash deposits	98,383	--	--	--	98,383	103,932
Interest income - component units	57,407	--	--	(57,407)	--	--
Interest expense - component units	--	(57,407)	--	57,407	--	--
Investment income (loss)	(1)	--	--	--	(1)	(656,546)
<b>Total Nonoperating Revenue (Expenses)</b>	<b>1,190,742</b>	<b>(48,765)</b>	<b>--</b>	<b>--</b>	<b>1,141,977</b>	<b>30,961</b>
<b>Income (Loss) Before Payments to State of Connecticut and Capital Contributions (Distributions)</b>	<b>24,029,431</b>	<b>(774,692)</b>	<b>109,123</b>	<b>(754,570)</b>	<b>22,609,292</b>	<b>17,074,706</b>
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)	--
Capital contributions	--	1,496,135	--	(1,294,801)	201,334	237,594
Distributions to member	--	(12,584)	--	--	(12,584)	--
<b>Change in Net Position</b>	<b>17,829,431</b>	<b>708,859</b>	<b>109,123</b>	<b>(2,049,371)</b>	<b>16,598,042</b>	<b>17,312,300</b>
<b>Net Position - Beginning of Year (As Restated)</b>	<b>99,117,391</b>	<b>2,883,214</b>	<b>100</b>	<b>(3,500,100)</b>	<b>98,500,605</b>	<b>81,188,305</b>
<b>Net Position - End of Year</b>	<b>\$ 116,946,822</b>	<b>\$ 3,592,073</b>	<b>\$ 109,223</b>	<b>\$ (5,549,471)</b>	<b>\$ 115,098,647</b>	<b>\$ 98,500,605</b>

*The accompanying notes are an integral part of these financial statements.*

# CONNECTICUT GREEN BANK

# DRAFT

## STATEMENT OF CASH FLOWS

**FOR THE YEARS ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity
		CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Eliminations		(As Restated)
<b>Cash Flows from Operating Activities</b>						
Utility ratepayer assessments	\$ 26,981,768	\$ --	\$ --	\$ --	\$ 26,981,768	\$ 27,597,453
Grants	400,766	--	--	--	400,766	2,015,677
RGGI auctions	17,520,889	--	--	--	17,520,889	3,529,080
Other income	581,435	1,331	--	--	582,766	440,533
Lease prepayment	6,092	445,247	--	--	451,339	--
Syndication and financing fees	--	--	--	--	--	(1,130,223)
Grant and program expenditures	(7,518,831)	(378,302)	--	--	(7,897,133)	(24,632,056)
Grants, incentives and credit enhancements	(13,313,611)	--	--	--	(13,313,611)	--
General and administrative expenditures	(2,337,287)	(6,361)	(10,877)	--	(2,354,525)	(1,554,236)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>22,321,221</u>	<u>61,915</u>	<u>(10,877)</u>	<u>--</u>	<u>22,372,259</u>	<u>6,266,228</u>
<b>Cash Flows from Non-Capital Financing Activities</b>						
Payments to the State of Connecticut	(6,200,000)	--	--	--	(6,200,000)	--
Advances to CGB component units	(1,305,701)	--	--	1,305,701	--	(3,500,000)
Advances from CGB and component units	--	--	1,305,701	(1,305,701)	--	3,500,000
<b>Net Cash Provided from Non-Capital Financing Activities</b>	<u>(7,505,701)</u>	<u>--</u>	<u>1,305,701</u>	<u>--</u>	<u>(6,200,000)</u>	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchase of capital assets	(79,713)	--	--	--	(79,713)	(281,654)
Proceeds from long-term debt	122,463	--	--	--	122,463	--
Capital contributions from component units	--	1,294,701	(1,294,701)	--	--	--
Capital contributions from Firststar Development, LLC	--	201,434	--	--	201,434	237,594
Return of capital to Firststar Development, LLC	--	(12,584)	--	--	(12,584)	--
<b>Net Cash (Used in) Provided by Capital and Related Financing Activities</b>	<u>42,750</u>	<u>1,483,551</u>	<u>(1,294,701)</u>	<u>--</u>	<u>231,600</u>	<u>(44,060)</u>

*The accompanying notes are an integral part of these financial statements.*

# CONNECTICUT GREEN BANK

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## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units			2014 Total Reporting Entity	2013 Total Reporting Entity (As Restated)
		CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Eliminations		
<b>Cash Flows from Investing Activities</b>						
Return of principal on investments	\$ 7,022,954	\$ --	\$ --	\$ --	\$ 7,022,954	\$ 663,488
Interest on short-term investments, cash, solar lease notes and loans	442,257	8,642	--	--	450,899	373,955
CPACE program loan disbursements	(16,409,539)	--	--	--	(16,409,539)	(86,000)
Grid Tied program loan disbursements	(2,375,000)	--	--	--	(2,375,000)	(2,625,000)
Sales of energy systems	715,768	(715,768)	--	--	--	--
AD/CHP program loan disbursements	(150,000)	--	--	--	(150,000)	(100,000)
Alpha/Operational Demo program loan disbursements	(516,200)	--	--	--	(516,200)	--
Energy Efficiency program loan disbursements	(75,000)	--	--	--	(75,000)	--
Campus Efficiency NOW program loan disbursements	(315,669)	--	--	--	(315,669)	--
Residential Solar Lease program disbursements	--	--	--	--	--	--
Residential Solar Loan program disbursements	(805,484)	--	--	--	(805,484)	(20,536)
<b>Net Cash (Used in) Investing Activities</b>	<u>(12,465,913)</u>	<u>(707,126)</u>	<u>--</u>	<u>--</u>	<u>(13,173,039)</u>	<u>(1,794,093)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	2,392,357	838,340	123	--	3,230,820	4,428,075
<b>Cash and Cash Equivalents - Beginning</b>	<u>72,735,215</u>	<u>4,906,456</u>	<u>--</u>	<u>--</u>	<u>77,641,671</u>	<u>73,213,595</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 75,127,572</u>	<u>\$ 5,744,796</u>	<u>\$ 123</u>	<u>\$ --</u>	<u>\$ 80,872,491</u>	<u>\$ 77,641,670</u>

*The accompanying notes are an integral part of these financial statements.*

## CONNECTICUT GREEN BANK

## STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

	Primary	Discretely Presented Component Units			2014	2013
	Government	CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Eliminations	Total Reporting Entity	Total Reporting Entity (As Restated)
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>						
Operating income (loss)	\$ 22,838,689	\$ (725,927)	\$ 109,123	\$ --	\$ 22,221,885	\$ 17,043,745
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	102,797	38,546	--	--	141,343	79,364
Provision for loan losses	1,310,933	--	--	--	1,310,933	--
Discount on asset sales	235,239	--	--	--	235,239	--
Other	436,755	--	--	--	436,755	--
Changes in operating assets and liabilities:						
Receivables, notes, renewable credits	(5,434,234)	(3,568,949)	(120,000)	--	(9,123,183)	(1,117,501)
Accounts payable, accrued expenses, deferred revenue and due to related parties	2,831,042	4,318,245	--	--	7,149,287	(9,739,380)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 22,321,221</u>	<u>\$ 61,915</u>	<u>\$ (10,877)</u>	<u>\$ --</u>	<u>\$ 22,372,259</u>	<u>\$ 6,266,228</u>

*The accompanying notes are an integral part of these financial statements.*

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

*NATURE OF OPERATIONS*

The Connecticut Green Bank (CGB) was established in July 2011 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut as the successor entity of the Connecticut Clean Energy Fund. CGB, a component unit of the State of Connecticut, was created to promote energy efficiency and investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end-use customers in the State. CGB constitutes the successor agency to Connecticut Innovations Incorporated (CI), a quasi-public agency of the State of Connecticut, for the purposes of administering the Clean Energy Fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CGB as of July 1, 2011. Pursuant to Connecticut General Statute 4-38f, CGB is within CI for administrative purposes only.

On June 6, 2014 Public Act 14-94 of the State of Connecticut changed the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank.

*RESTATEMENT OF NET POSITION (2013)*

A discretely component unit and total reporting entity net position have been restated as of June 30, 2013 to reflect the capitalization of certain previously expensed financing costs associated with securing financing and a reclassification of previously reported liability to net position. The effects of the above restatements as of June 30, 2013 are as follows:

	CT Solar Lease 2, LLC	Total Reporting Entity
Net position -		
June 30, 2013 (originally reported)	\$ (943,544)	\$ 98,173,847
Capitalization of financing costs	326,758	326,758
Reclassification of liability	<u>3,500,000</u>	<u>--</u>
Net position -		
July 1, 2013 (as restated)	<u>\$ 2,883,214</u>	<u>\$ 98,500,605</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*PRIOR-PERIOD SUMMARIZED FINANCIAL INFORMATION*

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CGB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

*PRINCIPAL REVENUE SOURCES*

The Public Utility Regulatory Authority (PURA) assesses a charge per kilowatt-hour to each end-use customer of electric services provided by utility companies (excluding municipally owned entities) in the state, which is paid to CGB and is the principal source of CGB's revenue. CGB may deploy the funds for loans, direct or equity investments, contracts, grants or other actions that support energy efficiency projects and research, development, manufacture, commercialization, deployment and installation of renewable energy technologies.

CGB also received payments from the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects through CGB's CPACE program.

*REPORTING ENTITY*

CGB, as the primary government, follows the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 61 (*The Financial Reporting Entity Omnibus – an Amendment of GASB Statements No. 14 and No. 34*) (the Statement) regarding presentation of component units. The Statement modifies certain requirements for including component units in the reporting entity, either by blending (recording their amounts as part of the primary government), or discretely presenting them (showing their amounts separately in the reporting entity's financial statements). To qualify as a blended component unit, the unit must meet one of the following criteria: (1) have substantively the same governing body as that of the primary government, and either (A) a financial benefit or burden relationship exists between the unit and the primary government, or (B) management of the primary government (below the level of the governing body) has operational responsibility of the unit; (2) the unit provides services or benefits exclusively or almost exclusively to the primary government; or (3) the unit's total debt outstanding, including leases, is expected to



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*REPORTING ENTITY (CONTINUED)*

be repaid by resources of the primary government. A unit which fails to meet the substantively the same governing requirement may still be included as a discretely presented component unit, if the primary government has appointed the voting majority of the component unit's governance or met other criteria specified in the Statement such as whether or not it would be misleading were the entity to be excluded.

CGB established four legally separate for-profit entities whose collective purpose, at the present time, is to administer the CGB's solar energy programs. CGB believes to exclude any of the entities from these financial statements would be misleading. Each entity is listed below, along with whether it is included as a blended component unit (blended) or qualifies as a discretely presented component unit (discrete) within these financial statements based on the criteria previously described.

*CEFIA Holdings LLC (blended)*

A Connecticut limited liability corporation (LLC), 99% owned by CGB (1% owned by CI), established to fund a portfolio of residential solar loans and, through its CT Solar Lease 2 program, to enable investment in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities (the "End Users"). CEFIA Holdings LLC acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the End Users. CEFIA Holdings LLC is also responsible for procuring insurance for the solar assets, operation and maintenance services as well as warranty management services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC, to which CEFIA Holdings LLC sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 LLC administers the portfolio of projects with the assistance of AFC First Financial Corporation.

*CEFIA Solar Loan I LLC (blended)*

A limited-liability corporation, wholly-owned by CEFIA Holdings LLC, established to make loans to residential property owners for the purposes of installing solar photovoltaic equipment.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*CEFIA Solar Services, Inc. (discrete)*

A Connecticut corporation, 100% owned by CEFIA Holdings LLC, established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and solar thermal equipment and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC. CEFIA Solar Services, Inc. has a one percent ownership interest in CT Solar Lease 2 LLC and is the managing member of the entity responsible for performing all management and operational functions pursuant to the Operating Agreement of CT Solar Lease 2 LLC.

*CT Solar Lease 2 LLC (discrete)*

A Connecticut limited-liability corporation that acquires title to the residential and commercial solar projects from the developer, CEFIA Holdings LLC, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners payment to CT Solar Lease 2 LLC of their obligations under leases and power purchase agreements, as well as revenue earned from production-based incentives. CT Solar Lease 2 LLC is owned ninety-nine percent (99%) by Firststar Development, LLC, a Delaware limited liability company, as the Investor Member and one percent (1%) by CEFIA Solar Services Inc., as the Managing Member.

Advances between the primary government (CGB) and its component units, or between the component units themselves, involved establishment of funds to provide for loan loss reserves as well as pay certain organizational costs. Advances were eliminated in preparing the combining and reporting entity financial statements.

Condensed combining information for the primary government (CGB) and its two blended component units (CEFIA Holdings LLC and CEFIA Solar Loan I LLC) is presented as follows:

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 69,659,563	\$ 200,740	\$ 253,554	\$ --	\$ 70,113,857
Accounts receivable	4,547,770	--	--	--	4,547,770
Utility customer assessments receivable	3,402,401	--	--	--	3,402,401
Other receivables	355,405	--	--	--	355,405
Due from component units	9,355,892	--	10,181,422	(9,272,270)	10,265,044
Prepaid expenses and other assets	124,580	1,727	--	--	126,307
Current portion of solar lease notes	766,086	--	--	--	766,086
<b>Total Current Assets</b>	<u>88,211,697</u>	<u>202,467</u>	<u>10,434,976</u>	<u>(9,272,270)</u>	<u>89,576,870</u>
<b>Noncurrent Assets</b>					
Portfolio investments	1,000,000	--	--	--	1,000,000
Bonds receivable	1,600,000	--	--	--	1,600,000
Solar Lease Notes, less current portion	9,778,315	--	--	--	9,778,315
Program loans, less current portion	12,622,568	780,336	--	--	13,402,904
Renewable Energy Credits	1,069,390	--	--	--	1,069,390
Investment in component units	99,000	--	100	(99,000)	100
Deferred financing fees, net	--	--	--	--	--
Capital assets, net of depreciation and amortization	289,932	--	--	--	289,932
Restricted assets:					
Cash and cash equivalents	4,713,715	300,000	--	--	5,013,715
<b>Total Noncurrent Assets</b>	<u>31,172,920</u>	<u>1,080,336</u>	<u>100</u>	<u>(99,000)</u>	<u>32,154,356</u>
<b>Total Assets</b>	<u>\$ 119,384,617</u>	<u>\$ 1,282,803</u>	<u>\$ 10,435,076</u>	<u>\$ (9,371,270)</u>	<u>\$ 121,731,226</u>

## CONNECTICUT GREEN BANK

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION (CONTINUED)*

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Liabilities and Net Position</b>					
<b>Liabilities</b>					
Current maturities of long-term debt	\$ --	\$ 6,280	\$ --	\$ --	\$ 6,280
Accounts payable and accrued expenses	2,606,620	10,323	1,134,751	--	3,751,694
Due to component units	--	858,850	8,413,420	(9,272,270)	--
Due to outside agency	439,643	--	--	--	439,643
Custodial liability	360,000	--	48,979	--	408,979
Deferred revenue	58,000	--	--	--	58,000
<b>Total Current Liabilities</b>	3,464,263	875,453	9,597,150	(9,272,270)	4,664,596
<b>Long-term debt, less current maturities</b>	--	119,808	--	--	119,808
<b>Total Liabilities</b>	3,464,263	995,261	9,597,150	(9,272,270)	4,784,404
<b>Net Position</b>					
Invested in capital assets	289,932	--	--	--	289,932
Restricted Net Position					
Non-expendable	--	--	100,000	(99,000)	1,000
Restricted for energy programs	4,713,715	300,000	--	--	5,013,715
Unrestricted (deficit)	110,916,707	(12,458)	737,926	--	111,642,175
<b>Total Net Position</b>	115,920,354	287,542	837,926	(99,000)	116,946,822
<b>Total Liabilities and Net Position</b>	\$ 119,384,617	\$ 1,282,803	\$ 10,435,076	\$ (9,371,270)	\$ 121,731,226

# CONNECTICUT GREEN BANK

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## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Operating Revenues</b>					
Utility customer assessments	\$ 27,779,345	\$ --	\$ --	\$ --	\$ 27,779,345
Grant revenue	321,642	300,000	--	(300,000)	321,642
RGGI Auction income	20,074,668	--	--	--	20,074,668
Energy system sales	--	--	3,548,840	--	3,548,840
Other income	576,788	--	--	--	576,788
<b>Total Operating Revenues</b>	<u>48,752,443</u>	<u>300,000</u>	<u>3,548,840</u>	<u>(300,000)</u>	<u>52,301,283</u>
<b>Operating Expenses</b>					
Cost of goods sold - energy systems	--	--	2,794,270	--	2,794,270
Provision for loan losses	1,310,933	--	--	--	1,310,933
Grants and program expenditures	23,214,496	23,620	10,560	(300,000)	22,948,676
General and administrative expenses	2,400,205	2,540	5,970	--	2,408,715
<b>Total Operating Expenses</b>	<u>26,925,634</u>	<u>26,160</u>	<u>2,810,800</u>	<u>(300,000)</u>	<u>29,462,594</u>
<b>Operating Income</b>	<u>21,826,809</u>	<u>273,840</u>	<u>738,040</u>	<u>--</u>	<u>22,838,689</u>
<b>Nonoperating Revenue (Expenses)</b>					
Interest income - promissory notes	1,021,189	13,764	--	--	1,034,953
Interest income - short term cash deposits	98,383	--	--	--	98,383
Interest income - component units	57,407	--	--	--	57,407
Interest expense - component units	--	--	--	--	--
Investment income (loss)	(1)	--	--	--	(1)
<b>Total Nonoperating Revenue (Expenses)</b>	<u>1,176,978</u>	<u>13,764</u>	<u>--</u>	<u>--</u>	<u>1,190,742</u>
<b>Change in Net Position before Payments to State of Connecticut and Capital Contributions</b>	<u>23,003,787</u>	<u>287,604</u>	<u>738,040</u>	<u>--</u>	<u>24,029,431</u>
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)
Capital contributions	--	--	--	--	--
Distributions to member	--	--	--	--	--
<b>Change in Net Position</b>	<u>16,803,787</u>	<u>287,604</u>	<u>738,040</u>	<u>--</u>	<u>17,829,431</u>
<b>Net Position - Beginning of Year (as restated)</b>	<u>99,116,567</u>	<u>(62)</u>	<u>99,886</u>	<u>(99,000)</u>	<u>99,117,391</u>
<b>Net Position - End of Year</b>	<u>\$ 115,920,354</u>	<u>\$ 287,542</u>	<u>\$ 837,926</u>	<u>\$ (99,000)</u>	<u>\$ 116,946,822</u>

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Cash Flows from Operating Activities</b>					
Sales of energy systems	\$ --	\$ --	\$ 715,768	\$ --	\$ 715,768
Utility ratepayer assessments	26,981,768	--	--	--	26,981,768
Grants	400,766	300,000	--	(300,000)	400,766
RGGI auction proceeds	17,520,889	--	--	--	17,520,889
Other income	581,435	--	--	--	581,435
Lease prepayment	--	--	6,092	--	6,092
Grant and program expenditures	(7,791,973)	(12,014)	(14,844)	300,000	(7,518,831)
Grants, incentives and credit enhancements	(13,313,611)	--	--	--	(13,313,611)
Purchases of energy equipment	--	--	(1,656,944)	--	(1,656,944)
General and administrative expenditures	(2,331,070)	(197)	(6,020)	--	(2,337,287)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>22,048,204</u>	<u>287,789</u>	<u>(955,948)</u>	<u>--</u>	<u>21,380,045</u>
<b>Cash Flows from Non-capital Financing Activities</b>					
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)
Advances to CGB component units	(3,274,267)	--	(1,439,552)	3,408,118	(1,305,701)
Advances from CGB and component units	--	783,850	2,624,268	(3,408,118)	--
<b>Net Cash Provided by (Used in) Non-capital Financing Activities</b>	<u>(9,474,267)</u>	<u>783,850</u>	<u>1,184,716</u>	<u>--</u>	<u>(7,505,701)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of capital assets	(79,713)	--	--	--	(79,713)
Proceeds from long-term debt	--	122,463	--	--	122,463
Capital contributions from component entities	--	--	--	--	--
Capital contributions from Firststar Development, LLC	--	--	--	--	--
Return of capital to Firststar Development, LLC	--	--	--	--	--
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<u>(79,713)</u>	<u>122,463</u>	<u>--</u>	<u>--</u>	<u>42,750</u>
<b>Cash Flows from Investing Activities</b>					
Return of principal on investments	6,965,232	57,722	--	--	7,022,954
Interest on short-term investments, cash, solar lease notes and loans	442,200	57	--	--	442,257

# CONNECTICUT GREEN BANK

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## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS (CONTINUED)

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
<b>Cash Flows from Investing Activities (Continued)</b>					
CPACE program loan disbursements	\$ (14,752,595)	\$ --	\$ --	\$ --	\$ (14,752,595)
Grid Tied program loan disbursements	(2,375,000)	--	--	--	(2,375,000)
AD/CHP program loan disbursements	(150,000)	--	--	--	(150,000)
Alpha/Operational Demo program loan disbursements	(516,200)	--	--	--	(516,200)
Energy Efficiency program loan disbursements	(75,000)	--	--	--	(75,000)
Campus Efficiency NOW program loan disbursements	(315,669)	--	--	--	(315,669)
Residential Solar Loan program disbursements	--	(805,484)	--	--	(805,484)
<b>Net Cash Used in Investing Activities</b>	<u>(10,777,032)</u>	<u>(747,705)</u>	<u>--</u>	<u>--</u>	<u>(11,524,737)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,717,192	446,397	228,768	--	2,392,357
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>72,656,086</u>	<u>54,343</u>	<u>24,786</u>	<u>--</u>	<u>72,735,215</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 74,373,278</u>	<u>\$ 500,740</u>	<u>\$ 253,554</u>	<u>\$ --</u>	<u>\$ 75,127,572</u>
<b>Reconciliation of Operating Loss to Net Cash</b>					
<b>Provided by (Used in) Operating Activities:</b>					
Operating income (loss)	\$ 21,826,809	\$ 273,840	\$ 738,040	\$ --	\$ 22,838,689
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	102,797	--	--	--	102,797
Provision for loan losses	1,310,933	--	--	--	1,310,933
Discount on asset sales	231,614	3,625	--	--	235,239
Other	436,755	--	--	--	436,755
Changes in operating assets and liabilities:					
Increase in receivables and other assets	(3,542,338)	--	(2,833,072)	--	(6,375,410)
Increase in accounts payable, accrued expenses, deferred revenue and other liabilities	<u>1,681,634</u>	<u>10,324</u>	<u>1,139,084</u>	<u>--</u>	<u>2,831,042</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>\$ 22,048,204</u>	<u>\$ 287,789</u>	<u>\$ (955,948)</u>	<u>\$ --</u>	<u>\$ 21,380,045</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION***

All entities are enterprise funds. Enterprise funds are used to account for governmental activities that are similar to those found in the private sector in which the determination of net income is necessary or useful to sound financial administration.

In its accounting and financial reporting, the reporting entity follows Governmental Accounting Standards Board (GASB) Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporates into GASB guidance pre-November 30, 1989 FASB Statements and Interpretations and Accounting Principles Board (APB) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

***BASIS OF PRESENTATION***

These financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

***REVENUE RECOGNITION***

CGB, in addition to utility assessments and RGGI auction income, recognizes revenue from grants as expenses are incurred.

CEFIA Solar Loan I LLC revenues represents grant funds paid to it by CGB. This amount was eliminated to arrive at the total reporting entity revenue.

CEFIA Holdings LLC revenues from the sales of photovoltaic energy systems to CEFIA Solar Lease 2, LLC. This amount was eliminated to arrive at the total reporting entity revenue.

CEFIA Solar Services, Inc. revenue consists of an administrative fee from CGB. This amount was eliminated to arrive at the total reporting entity revenue.

In addition, CT Solar Lease 2 LLC is expected to derive revenue from the following sources: operating leases, energy generation, Production Based Incentives (PBIs) and the sale of Solar Renewable Energy Certificates (SRECs) to third parties. Rental income from residential and commercial operating leases will be recognized on a straight-line basis over the term of each underlying lease. Energy generation revenue will be recognized as electricity is generated, based on actual output and contractual prices set forth in long-term PPAs. PBI payments on



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*REVENUE RECOGNITION (CONTINUED)*

residential solar photovoltaic systems will be received through a rebate program funded by the CGB. Payments are based on actual production. Revenue from the sale of SRECs to third parties is recognized upon the transfer of title and delivery of the SRECs to third parties and is derived from contractual prices set forth in SREC sale agreements.

*OPERATING VS. NON-OPERATING REVENUE (EXPENSE)*

All entities distinguish operating revenues and expenses from non-operating items. Operating revenues consist of utility customer assessments, grants for operating activities, and other revenue generated in connection with investments in clean energy programs. Operating expenses consist of operating costs, including depreciation on capital assets and grants and programs. Non-operating revenue (expense) consists of investment earnings, and other items not considered operational by management.

*USE OF ESTIMATES*

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect certain reported amounts and disclosures in the financial statements. Actual results could vary from the estimates that were used.

*USE OF RESTRICTED VS. NON-RESTRICTED RESOURCES*

When both restricted and unrestricted amounts are available for use, the policy is to use restricted resources for their intended purposes first and then unrestricted resources.

*CASH AND CASH EQUIVALENTS*

Cash equivalents consist of cash and highly liquid short-term investments with an original term of 90 days when purchased and are recorded at cost, which approximates fair value.

*CAPITAL ASSETS*

Capital asset acquisitions exceeding \$500 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using straight-line methods over the estimated useful lives of the assets, which range from two to thirty years. Leasehold improvements are amortized over the shorter of their useful life or the lease term.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*CAPITAL ASSETS (CONTINUED)*

The estimated useful lives of capital assets are as follows:

Asset	Years
Solar lease equipment	30 years
Furniture and equipment	5 years
Leasehold improvements	5 years
Computer hardware and software	2-3 years

For capital assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in income for the period.

*PORTFOLIO INVESTMENTS*

CGB carries all investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability by in an orderly transaction between market participants at the measurement date. As discussed in Note 4, CGB's portfolio investments are managed by CI. Fair value is determined by CI's independent valuation committee ("Committee") using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. In the absence of readily determinable market values, the Committee gives consideration to pertinent information about the companies comprising these investments, including, but not limited to, recent sales prices of the issuer's securities, sales growth, progress toward business goals and other operating data. CI has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. CGB management reserves the right to establish a reserve in addition to the reserve recommended by the Committee to further account for current market conditions and volatility. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material. CGB reports gains as realized and unrealized consistent with the practice of venture capital firms. The calculation of realized gains and losses is independent of the calculation of the net change in investment value.

All of CGB's portfolio investments are uninsured against loss and unregistered, and are held in the administrator's name.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*DEFERRED FINANCING FEES*

Deferred financing fees of \$487,563 consist of costs incurred in connection with securing the long-term debt. These costs are amortized using the straight-line method over the maximum term of the credit facility, which is through July 1, 2030. Accumulated amortization at June 30, 2014 was \$28,680. Amortization expense for the year ended June 30, 2014 was \$28,680.

*NET POSITION*

Net position is presented in the following three categories:

- *Net Position Invested in Capital Assets* represent capital assets, net of accumulated depreciation and amortization that are attributable to those particular assets.
- *Restricted Net Position* represent assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by laws or through constitutional provisions or enabling legislature, and includes equity interest within CGB's component units by outside entities.
- *Unrestricted Net Position* represents assets which do not meet the definition of the two preceding categories.

*GRANTS AND PROGRAMS*

Expenditures for grants and programs are recorded upon the submission of invoices and other supporting documentation and approval by management. Salaries, benefits and overhead expenses are allocated to program expenses based on job functions.

*RECLASSIFICATIONS*

Certain amounts in the 2013 summarized information have been reclassified to conform to the 2014 presentation.

*SUBSEQUENT EVENTS*

In September 2014, CT Solar Lease 2 LLC was required by agreement with First Niagara Bank, N.A. (the Bank) to enter into an interest rate protection agreement with the Bank.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*SUBSEQUENT EVENTS (CONTINUED)*

CGB has performed a review of events subsequent to the statement of net position date through \_\_\_\_\_, 2014, the date of the financial statements where available to be issued. Except as described above, no events requiring recording or disclosure in the financial statements were identified.

## NOTE 2 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In determining fair value, CGB utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. CGB also considers nonperformance risk in the overall assessment of fair value.

Investments are measured at fair value utilizing valuation techniques based on observable and/or unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect market assumptions. These inputs are classified into the following hierarchy:

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. CGB's Level 1 securities were valued at the closing price reported on the active markets on which the individual securities are traded.

**Level 2** – Inputs other than quotes prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quotes prices for similar assets and liabilities in active markets
- Quotes prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quotes prices that are used in the valuation of the asset or liability (e.g., interest rate and yield curve quotes at commonly quotes intervals)

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

- Inputs that are derived principally from or corroborated by observed market data by correlation or other means

**Level 3** – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, CGB’s fair value measurements at June 30, 2014:

<i>Investment assets at Fair Value as of June 30, 2014</i>				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 80,872,491	\$ --	\$ --	\$ 80,872,491
Portfolio investments	--	--	1,000,000	1,000,000
	<u>\$ 80,872,491</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 81,872,491</u>
	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	\$ 75,127,572	\$ --	\$ --	\$ 75,127,572
Portfolio investments	--	--	1,000,000	1,000,000
Discretely Presented				
Component Units:				
CGB Solar Services, Inc.	123	--	--	123
CT Solar Lease 2 LLC				
Cash and cash equivalents	<u>5,744,796</u>	<u>--</u>	<u>--</u>	<u>5,744,796</u>
	<u>\$ 80,872,491</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 81,872,491</u>

## NOTES TO FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, CGB's fair value measurements at June 30, 2013:

<i>Investment assets at Fair Value as of June 30, 2013</i>				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 77,641,670	\$ --	\$ --	\$ 77,641,670
Portfolio investments	--	--	1,000,000	1,000,000
	<u>\$ 77,641,670</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 78,641,670</u>
	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	\$ 72,735,214	\$ --	\$ --	\$ 72,735,214
Portfolio investments	--	--	1,000,000	1,000,000
Discretely Presented				
Component Units:				
CGB Solar Services, Inc.	--	--	--	--
CT Solar Lease 2 LLC				
Cash and cash equivalents	<u>4,906,456</u>	<u>--</u>	<u>--</u>	<u>4,906,456</u>
	<u>\$ 77,641,670</u>	<u>\$ --</u>	<u>\$ 1,000,000</u>	<u>\$ 78,641,670</u>

There were no transfers between levels during the years ended June 30, 2014 and 2013.

Furthermore, there were no changes in level 3 assets during 2014 or 2013, respectively.

## NOTES TO FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 3 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents for the reporting entity at June 30:

	2014	2013
Checking	\$ 2,205,106	\$ 1,846,114
State Treasurer's Short-Term Investment Fund	<u>69,688,946</u>	<u>66,258,900</u>
Unrestricted cash and cash equivalents	71,894,052	68,105,014
Checking - restricted	1,405,787	1,569,975
Money Market - restricted	3,500,000	3,500,000
State Treasurer's Short-Term Investment Fund - restricted	<u>4,072,652</u>	<u>4,466,681</u>
Total cash and cash equivalents	<u>\$ 80,872,491</u>	<u>\$ 77,641,670</u>

*Cash and cash equivalents as of June 30, 2014*

	Primary Government	CT Solar Lease 2 LLC	CGB Solar Services, Inc.	Total
Checking	\$ 960,188	\$ 1,244,796	\$ 123	\$ 2,205,107
State Treasurer's Short-Term Investment Fund	<u>69,688,946</u>	<u>--</u>	<u>--</u>	<u>69,688,946</u>
Unrestricted Cash and Cash Equivalents	70,649,134	1,244,796	123	71,894,053
Restricted Cash				
Checking	405,786	1,000,000	--	1,405,786
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	<u>4,072,652</u>	<u>--</u>	<u>--</u>	<u>4,072,652</u>
	<u>\$ 75,127,572</u>	<u>\$ 5,744,796</u>	<u>\$ 123</u>	<u>\$ 80,872,491</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

	<i>Cash and cash equivalents as of June 30, 2013</i>			
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Total
Checking	\$ 1,439,658	\$ 406,456	\$ --	\$ 1,846,114
State Treasurer's Short-Term Investment Fund	<u>66,258,900</u>	<u>--</u>	<u>--</u>	<u>66,258,900</u>
Unrestricted Cash and Cash Equivalents	67,698,558	406,456	--	68,105,014
Restricted Cash				
Checking	569,975	1,000,000	--	1,569,975
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	<u>4,466,681</u>	<u>--</u>	<u>--</u>	<u>4,466,681</u>
	<u>\$ 72,735,214</u>	<u>\$ 4,906,456</u>	<u>\$ --</u>	<u>\$ 77,641,670</u>

**STATE TREASURER'S SHORT-TERM INVESTMENT FUND**

The State Treasurer's Short-Term Investment Fund is a Standard & Poors AAAm investment pool of high-quality, short-term money market instruments managed by the Cash Management Division of the State Treasurer's Office, and operates in a manner similar to Money Market Mutual Funds. It is the investment vehicle for the operating cash of the State of Connecticut Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State. The value of CGB's position in the pool is the same as the value of pool shares. Regulatory oversight is provided by an investment advisory council and the State Treasurer's Cash Management Board.

**INVESTMENT MATURITIES**

The State Treasurer's Short-Term Investment Fund itself has no maturity date and is available for withdrawal on demand.



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

*INTEREST RATE RISK*

CGB manages its exposure to declines in fair value by limiting the average maturity of its cash and cash equivalents to no more than one year.

*CREDIT RISK*

Connecticut General Statutes authorize CGB to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Fund's investment are as follows:

	Standard & Poor's
State Treasurer's Short-Term Investment Fund	AAAm

*CONCENTRATION OF CREDIT RISK*

CGB's investment policy does not limit the investment in any one investment vehicle. The State Treasurer's Short-term Investment Fund is not subject to this disclosure.

*CUSTODIAL CREDIT RISK - DEPOSITS*

In the case of deposits, this represents the risk that, in the event of a bank failure, CGB's deposits may not be returned to it. CGB does not have a deposit policy for custodial credit risk. As of June 30, 2014 and 2013, \$6,554,413 and \$6,940,198, respectively, of CGB's bank balances were exposed to custodial credit risk. Primary government consisted of \$1,296,948 and \$2,283,742 as of June 30, 2014 and 2013. CT Solar Lease 2, LLC consisted of \$5,257,465 and \$4,656,456 as of June 30, 2014 and 2013, respectively. Funds held by banks on behalf of CT Solar Lease 2 LLC include a contractual requirement to maintain \$4,500,000 in deposits with financial institutions participating in the CGB Solar Lease Program which represent loan loss and lease maintenance reserves.

*CUSTODIAL CREDIT RISK - INVESTMENTS*

For an investment, this represents the risk that, in the event of the failure of the counterparty, CGB will not be able to recover the value of the investment. As of June 30, 2014 and 2013, the Fund has no reportable custodial risk.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 4 – PORTFOLIO INVESTMENTS

The former Connecticut Clean Energy Fund (CCEF) invested in emerging technology companies as equity and debt investments in Operational Demonstration projects. Based on a memorandum of understanding between CGB and CI, CI manages these investments on behalf of CGB.

## NOTE 5 – BONDS RECEIVABLE

This amount represents two \$800,000 bonds received in connection with the CGB's May 2014 sale of C-PACE Loans to Clean Fund Holdings, LLC (CFH). CFH paid CGB approximately \$6.4 million in cash along with two bonds issued to CGB through Public Finance Authority (Subordinate Series 2014B-1 and 2014C-1). Each bond carries interest of 5.30% per annum with a maturity date of September 10, 2034. The bonds are secured by the C-PACE Loans sold to CFH. At June 30, 2014, management believes no valuation allowance is necessary on these bonds.

Each bond requires semi-annual interest-only payments to CGB starting September 10, 2014 and continuing to September 10, 2029. Starting March 10, 2030 and every six months thereafter, principal payments, along with the required interest is to be paid to CGB.

Principal maturities of these bonds are as follows:

Year ended June 30,	2014B-1	2014C-1	Total
2015	\$ --	\$ --	\$ --
2016	--	--	--
2017	--	--	--
2018	--	--	--
2019	--	--	--
2020 - 2024	--	--	--
2025 - 2029	--	--	--
2030 - 2034	792,500	792,500	1,585,000
2035	7,500	7,500	15,000
	<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ 1,600,000</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 6 – SOLAR LEASE NOTES

In June of 2008 the predecessor of the CGB, the Connecticut Clean Energy Fund (CCEF) entered into a Master Lease Program Agreement with CT Solar Leasing LLC, a third party leasing company, AFC First Financial Corporation, a third party servicer, and Firststar Development LLC, the tax equity investor, to develop a residential solar PV leasing program in Connecticut. CCEF purchased a total of \$13,248,685 of promissory notes issued by CT Solar Leasing LLC during the period commencing in April of 2009 and ending in February of 2012 to fund the program. Each nonrecourse promissory note is secured by the payments under a specific PV equipment lease, with a rate of interest of 5% and a term of 15 years. Future principal repayments under the program and the current loss reserve are as follows:

2015	\$ 766,086
2016	805,281
2017	846,480
2018	889,788
2019	935,311
2020-2024	<u>6,407,966</u>
	10,650,912
Less reserve for losses:	<u>(106,509)</u>
	<u><u>\$ 10,544,403</u></u>
Current portion	\$ 766,086
Non-current portion	<u>9,778,317</u>
	<u><u>\$ 10,544,403</u></u>

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

**FOR THE YEAR ENDED JUNE 30, 2014**

(With Summarized Totals for the Year Ended June 30, 2013)

### NOTE 7 – PROGRAM LOANS

Outstanding principal balances by program for the years ending June 30, 2014 and 2013 are as follows:

	2014	2013
<b>Connecticut Green Bank</b>		
CPACE Program benefit assessments	\$ 6,902,682	\$ 86,000
Gried-Tied Program term loans	6,025,782	3,123,980
Pre Development Program loans	1,237,245	1,237,245
Operation Demonstration Program loans	1,100,801	1,390,312
Other program loans	437,031	50,000
<b>CT Solar Loan I LLC</b>		
Residential Solar PV Program loans-WIP	250,309	20,595
Residential Solar PV Program loans-Complete	530,026	--
	16,483,876	5,908,132
Reserve for loan losses	(3,080,972)	(2,120,038)
	<u>\$ 13,402,904</u>	<u>\$ 3,788,094</u>

Scheduled repayments of principal under these loans as of June 30, 2014 is as follows:

	2015	2016	2017	2018	2019	Thereafter	Total
<b>Connecticut Green Bank</b>							
CPACE Program benefit assessments	\$ 286,103	\$ 328,404	\$ 338,686	\$ 359,219	\$ 379,812	\$ 5,210,458	\$ 6,902,682
Gried-Tied Program term loans	--	--	--	--	--	6,025,782	6,025,782
Pre Development Program loans	--	--	--	--	--	1,237,245	1,237,245
Operation Demonstration Program loans	--	--	--	501,421	--	599,380	1,100,801
Other program loans	106,550	14,845	15,145	15,450	7,784	277,257	437,031
<b>CT Solar Loan I LLC</b>							
Residential Solar PV Program loans - WIP	250,309	--	--	--	--	--	250,309
Residential Solar PV Program loans - Complete	56,085	22,290	23,792	25,396	27,107	375,356	530,026
	699,047	365,539	377,624	901,486	414,703	13,725,477	16,483,876
Reserve for loan losses	(46,600)	--	--	(501,421)	(3,750)	(2,529,201)	(3,080,972)
	<u>\$ 652,447</u>	<u>\$ 365,539</u>	<u>\$ 377,624</u>	<u>\$ 400,065</u>	<u>\$ 410,953</u>	<u>\$ 11,196,276</u>	<u>\$ 13,402,904</u>

**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2014**(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 7 – PROGRAM LOANS (CONTINUED)**

Benefits assessments under the C-PACE program finance energy efficiency upgrades and the installation of renewable energy equipment on non-residential property. The assessments carry interest rates ranging from 5.0% to 6.0% with terms ranging from 10 to 20 years.

The grid-tied term loan represents the financing of the 15 megawatt Dominion Bridgeport Fuel Cell Park from Project 150. Interest is paid monthly on the outstanding principal balance at a rate of 5.0% until 2022 when principal payments commence over a 48-month period.

Pre development loans finance a clean energy facility developer's costs associated with acquiring site control, environmental assessments, impact studies, permitting costs and facility design. Repayments of principal begin when one of the following milestones is achieved: the closing of permanent financing of the project, commencement of commercial operation, or the sale of the project or its assets. Interest on repayments is at a rate of prime plus 1%. The projects financed continue to be under development and are investments of the organization that are consistent with its Comprehensive Plan and budget.

Operational demonstration program loans are residual transactions of the programs of the Connecticut Clean Energy Fund. The loans finance the development of emerging clean energy technologies. Repayment of each loan is based upon the commercial success of the technology and carries an interest rate of 6%. If commercial success is not achieved after ten years from the date of the loan agreement, the loan converts to a grant. Connecticut Innovations assists in overseeing these loans.

Other program loans represent the financing of feasibility studies for various renewable energy projects or energy efficiency upgrades that fall inside the organization's Comprehensive Plan and Budget.

The residential solar PV loan program administered by CT Solar Loan I LLC, makes loans to residential property owners for the purpose of installing solar photovoltaic equipment. Loans carry an interest rate ranging from 6.49% to 6.75% with a term of 15 years.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 8 – FINANCING ACTIVITIES

*LONG-TERM DEBT - LINE OF CREDIT – PRIMARY GOVERNMENT*

During 2014, CT Solar Loan 1 LLC entered into a \$4,000,000 line of credit (LOC) with Solar Mosaic, Inc. (Mosaic). Borrowings on the LOC immediately turn into a term note with predefined repayment terms at the time of borrowing. The LOC has \$3,873,912 available at June 30, 2014. The LOC borrowing period is through June 30, 2015. Borrowings on the LOC bear interest at 6.4586% (Base Rate) and have the option to buy-down the interest rate to 6.00% (Reduced Rate) by making a payment on the borrowing date of 2.875% of the principal amount of the loan (Rate Buy-down Amount). As of June 30, 2014 there was \$126,088 outstanding which matures in March 2029.

In connection with the LOC, CT Solar Loan 1 LLC is required to establish and maintain a collections account, debt service reserve account and a loan loss reserve account. Deposits shall be made into the collections account for all payments received by residential borrowers. The debt service reserve account is required to have no less than six months forward-looking principal and interest payments for the loans outstanding. The loan loss reserve account is required to have a one-time deposit of \$300,000.

Future maturities on borrowings on the Additional LOC are as follows:

Years ending June 30,	Principal	Interest	Total
2015	\$ 6,280	\$ 7,330	\$ 13,610
2016	6,516	7,011	13,527
2017	6,831	6,612	13,443
2018	7,163	6,193	13,356
2019	7,512	5,754	13,266
2020 - 2024	43,501	21,384	64,885
2025 - 2029	48,285	6,758	55,043
	<u>\$ 126,088</u>	<u>\$ 61,042</u>	<u>\$ 187,130</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 8 – FINANCING ACTIVITIES (CONTINUED)

*LINE OF CREDIT – DISCRETELY PRESENTED COMPONENT UNIT – CT SOLAR LEASE 2, LLC*

CT Solar Lease 2, LLC has a \$26,700,000 line of credit agreement (Additional LOC) with First Niagara Bank, N.A. (First Niagara) as the Administrative Agent and Lender along with three other participating lenders. The additional LOC is broken down by lender as follows:

First Niagara Bank, N.A.	\$ 10,700,000
Liberty Bank	7,000,000
Webster Bank, National Association	7,000,000
People's United Bank	<u>2,000,000</u>
	<u>\$ 26,700,000</u>

Funds may be drawn down in no more than ten total advances by July 1, 2015. With the exception of the final advance, each advance must be in the principal amount of \$2,670,000 or a whole multiple of \$100,000 in excess of \$2,670,000. Each loan funding will be shared by all participating lenders in accordance with their pro-rata share of the total facility commitment.

Each advance will be amortized separately. CT Solar Lease 2 LLC has the option with each advance of selecting between the LIBOR rate or the base rate which is defined as the highest of (a) the Federal Funds Effective Rate plus one-half of 1 percent, (b) First Niagara's prime rate (3.25 at June 30, 2014), and (c) the LIBOR rate plus 1 percent (\_\_\_\_\_ at June 30, 2014). CT Solar Lease 2 LLC may also elect to convert an advance from one rate to the other by following the process outlined in the credit agreement.

Payments of interest with respect to any LIBOR rate advances are due on the 15<sup>th</sup> day of the month following each calendar quarter end. Payments of interest with respect to any base rate advances are due monthly. Payments of principal with respect to all advances are due on the 15<sup>th</sup> day of the month following each calendar quarter end. Principal payments on each advance will be based on a modified 15 year amortization schedule as outlined in the credit agreement.

Within one month of each advance, CT Solar Lease 2 LLC is required to enter into an interest rate swap contract with respect to a minimum amount of 75% of such advance. If one of the participating lenders is the counterparty to the swap contract, such contract will be secured by the collateral of the credit agreement; otherwise, the swap contract will be unsecured.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 8 – FINANCING ACTIVITIES (CONTINUED)*****LINE OF CREDIT –DISCRETELY PRESENTED COMPONENT UNIT – CT SOLAR LEASE 2, LLC  
(CONTINUED)***

Certain obligations of CT Solar Lease 2 LLC under the credit agreement are guaranteed by CGB. This credit agreement is secured by all assets of CT Solar Lease 2 LLC as well as CT Solar Services (the “Managing Member”) interest in CT Solar Lease 2 LLC. There are no prepayment penalties. There are certain debt service coverage ratios CT Solar Lease 2 LLC must maintain related to each separate advance and which require the separate measurement of the net operating income with respect to the projects purchased with each advance.

As of June 30, 2014, there were no borrowings on the Additional LOC.

**NOTE 9 – PAYMENT TO STATE OF CONNECTICUT**

The Connecticut Legislature passed Public Act 13-247 pertaining to the State’s budget for the biennium ending June 30, 2015 and signed into law on June 19, 2013. This Act requires the Connecticut Green Bank to transfer \$6,200,000 and \$19,200,000 to the State’s General Fund during fiscal years 2014 and 2015, respectively.

**NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES*****DUE TO AFFILIATE***

CGB utilizes the services of CI, as provided in the General Statutes of the State of Connecticut. CI provides services to CGB, at cost, for its operations. Such services include, but are not limited to, staff for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CGB by CI totaled \$1,110,683 and \$880,741 for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, amounts due to CI were \$439,643 and \$21,396, respectively.

***UNUSED COMMITMENT FEE***

The Investor Member of CT Solar Lease 2 LLC is entitled to an annual fee due within 30 days of the end of each calendar year, calculated on a monthly basis, based on the amount of the Investor Member’s unfunded capital contributions. The fee for each month is equal to 1.25 percent times the amount by which the Investor Member’s contribution cap exceeds the



## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)*****UNUSED COMMITMENT FEE (CONTINUED)***

total capital contributions funded as of the last day of the month in question divided by twelve. Amounts not paid timely accrue interest at the US Bank Prime Rate in effect on the due date plus 2 percent. The unused commitment fee totaled \$146,183 for the year ended June 30, 2014 and is included in accounts payable and accrued expenses on the accompanying statement of net assets. There was no unused commitment fee as of June 30, 2013.

***ADMINISTRATIVE SERVICES FEE***

The Managing Member of CT Solar Lease 2 LLC provides administrative and management services to the Company and earned a quarterly fee initially equal to \$30,000 per quarter beginning July 1, 2013. The amount of the fee will increase 2.5 percent each July 1<sup>st</sup> beginning July 1, 2014. The administrative services fee totaled \$120,000 for the year ended June 30, 2014 and is included in accounts payable and accrued expenses on the accompanying statement of net assets. There was no administrative services fee for the year ended June 30, 2013.

***PRIORITY RETURN***

The Investor Member is the Tax-Equity Investor and is entitled to substantially all of the tax benefits of CT Solar Lease 2 LLC until January 1 of the year which is five years after the date the last project is installed, which is anticipated to be January 1, 2021, the Flip Date.

The investor Member of CT Solar Lease 2 LLC shall be due a cumulative, quarterly distribution equal to 0.5% of its paid-in capital contributions in respect of projects beginning at the end of the first quarter after the first project acquisition capital contribution is made and continuing until the “Flip Date.” To the extent the priority return is not paid in a quarter until the Flip Date, unpaid amounts will accrue interest at the lower of 24% per annum or the highest rate permitted by law.

In accordance with the Operating Agreement all amounts and accrued interest due on the Priority Return are to be paid from net cash flow prior to certain required payments due under the Credit Agreement. The Investor Member was not paid a priority return for the years ended June 30, 2014 and 2013.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

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## NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)

*PREPAID PRIORITY RETURN*

The investor member of CT Solar Lease 2 LLC will be paid a prepaid priority return with respect to each residential energy system project where the customer has made a prepayment to CT Solar Lease 2 LLC. The prepaid priority return is a one-time distribution to the investor member equal to 4.2055% of each prepaid project's purchase price. The prepaid priority return will be paid to the investor member on the date it makes its initial acquisition capital contribution with respect to the purchase of the prepaid project. During the year ended June 30, 2014, the investor member was paid \$12,584 related to the prepaid priority return. The investor member was not paid a priority return for the year ended June 30, 2013.

*PAYROLL TAXES*

Pursuant to state statute, CGB is subject to fringe benefit charges for pension plan and medical plan contributions which are paid at the state level. CGB's employer payroll taxes are also paid at the state level. CGB reimburses the state for these payments. The reimbursement for 2014 and 2013 was \$2,721,651 and \$1,882,370, respectively, comprising 76.40% and 66.25%, respectively, of gross salaries.

*OPERATING LEASES*

During 2014, CGB entered into a non-cancellable operating lease with an unrelated entity for its main office space. The lease calls for monthly escalating payments beginning at \$12,567 through December 31, 2020. Rent expense related to this lease for the year ended June 30, 2014 was \$148,680.

In addition, CGB had a sub-lease for its main office space from CI under a non-cancellable Memorandum of Understanding (MOU) which expired during 2013. Rent expense related to this lease for the year ended June 30, 2013 amounted to \$84,305.

In addition, CGB has a non-cancelable operating lease for an additional office space from an unaffiliated entity which calls for initial monthly payments of \$7,333, with escalating payments through December 2020. Rent expense related to this lease for the years ended June 30, 2014 and 2013 amounted to \$88,998 and \$61,642, respectively.

In addition, CGB leases office equipment on a month-to-month basis. Rent expense related to the office equipment for the years ended June 30, 2014 and 2013 was \$24,415 and \$7,344, respectively.

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

#### NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)

Future minimum lease payments for office rentals are as follows:

<u>Years ending June 30,</u>	
2015	\$ 243,929
2016	250,172
2017	256,424
2018	262,672
2019	268,920
Thereafter	<u>414,341</u>
	<u>\$ 1,696,458</u>

#### NOTE 11 – CAPITAL ASSETS

Capital asset activity for reporting entity for the years ended June 30, 2014 and 2013 are as follows:

2014	Balance, July 1, 2013	Additions	Deletions	Adjustments	Balance, June 30, 2014
Capital assets being depreciated:					
Solar lease equipment	\$ --	\$ 1,314,350	\$ --	\$ (279,191)	\$ 1,035,159
WIP solar lease equipment	--	2,234,490	--	(475,379)	1,759,111
Furniture and equipment	335,744	3,194	--	--	338,938
Leasehold improvements	136,659	3,023	--	--	139,682
Computer hardware and software	71,470	16,867	--	--	88,337
Capital assets not being depreciated:	--	--	--	--	--
Construction in progress	--	7,141	--	--	7,141
	<u>543,873</u>	<u>3,579,065</u>	<u>--</u>	<u>(754,570)</u>	<u>3,368,368</u>
Less accumulated depreciation and amortization:					
Solar lease equipment	--	9,865	--	--	9,865
Furniture and equipment	146,560	59,260	--	--	205,820
Computer hardware and software	18,093	15,752	--	--	33,845
Leasehold improvements	16,715	27,786	--	--	44,501
	<u>181,368</u>	<u>112,663</u>	<u>--</u>	<u>--</u>	<u>294,031</u>
Capital assets, net	<u>\$ 362,505</u>	<u>\$ 3,466,402</u>	<u>\$ --</u>	<u>\$ (754,570)</u>	<u>\$ 3,074,337</u>

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 11 – CAPITAL ASSETS (CONTINUED)

2013	Balance, July 1, 2012	Additions	Deletions	Adjustments	Balance, June 30, 2013
Capital assets being depreciated:					
Furniture and equipment	\$ 13,049	\$ 188,068	\$ --	\$ 134,627	\$ 335,744
Computer hardware and software	28,460	43,010	--	--	71,470
Leasehold improvements	56,224	80,395	--	40	136,659
	<u>97,733</u>	<u>311,473</u>	<u>--</u>	<u>134,667</u>	<u>543,873</u>
Less accumulated depreciation and amortization:					
Furniture and equipment	626	11,267	--	134,667	146,560
Computer hardware and software	3,807	14,286	--	--	18,093
Leasehold improvements	1,971	14,744	--	--	16,715
	<u>6,404</u>	<u>40,297</u>	<u>--</u>	<u>134,667</u>	<u>181,368</u>
Capital assets, net	<u>\$ 91,329</u>	<u>\$ 271,176</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 362,505</u>

## NOTE 12 – GRANT PROGRAMS

CGB, the primary government, recognizes grant revenue based on expenditures or fulfillment of program requirements. For the year ended June 30, 2014, CGB recognized related grant revenue of \$321,642 under Department of Energy programs.

## NOTES TO FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 13 – COMMITMENTS

As of June 30, 2014 and 2013, the Board of Directors designated a portion of CGB's unrestricted net position to fund financial incentives for specific commercial and residential projects in the following areas:

	2014	2013
Solar	\$ 24,442,941	\$ 10,795,323
AD/CHP Programs	14,558,887	--
CPACE	14,294,826	1,458,455
Campus Efficiency NOW Program	3,726,946	1,000,000
Wind	2,800,000	--
Fuel cells	1,363,388	4,944,157
Education and outreach	988,701	1,305,165
Operation Demonstration Programs	987,333	1,381,974
Project 150 and Pre-Development Programs	262,755	1,500,000
Other technologies	103,274	1,064,500
Geothermal and Solar Thermal	--	1,036,986
	<u>\$ 63,529,051</u>	<u>\$ 24,486,560</u>

These incentives are expected to be paid over the next one to six fiscal years and are contingent upon the completion of performance milestones by the recipient of the incentive.

In addition, at June 30, 2014, the Board of Directors through various resolutions has made available an additional \$33,981,288 of unrestricted net position to fund the following programs for which specific commercial and residential projects have not yet been identified:

CPACE	\$ 18,856,424
Solar loan programs	9,219,664
Solar lease program	5,905,200
	<u>\$ 33,981,288</u>

All commitments are those of the primary government.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

**NOTE 14 – PENSION PLAN**

All employees of the CGB participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The CGB has no liability for pension costs other than the annual contribution. The latest actuarial study was performed on the plan as a whole, as of June 30, 2012, and does not separate information for employees of the CGB. Therefore, certain pension disclosures pertinent to CGB otherwise required pursuant to accounting principles generally accepted in the United States of America are omitted. Based upon the 2012 valuation, the Plan, as a whole, utilized the project unit credit cost method to develop employer contributions, and included the following actuarial assumptions: (1) investment return of 8% (previously 8.25%); (2) price inflation of 2.75% (previously 3%) for cost of living adjustments; (3) projected salary increases of 4% to 20%, Social Security wage base increases of 3.50% per annum; (4) payroll growth of 3.75% per annum; and (5) the RP-2000 Mortality Table. Information on the total plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report available from the Office of the State Comptroller, 55 Elm Street, Hartford, CT 06106.

***PLAN DESCRIPTION***

SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I and Tier IIA are contributory plans, and Tier II is a noncontributory plan.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 2 percent of the annual average earnings (which are based on the three highest earning years of service) over \$4,800 plus 1 percent of \$4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 65 with 5 years of service, are entitled to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. Tier II employees between the ages of 55 and 62 with 10 years but less than 25 years of service may retire with reduced benefits. In addition, Tier II and Tier IIA members with at least five but less than ten years of actual state service who terminate their state employment July 2, 1997 or later and prior to attaining age 62 will be in deferred vested status and may commence receipt of normal retirement benefits on the first of the month on or following their sixty-fifth (65) birthday.

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

## NOTE 14 – PENSION PLAN (CONTINUED)

Employees hired on and after July 1, 1997, will become members of Tier IIA. Tier IIA plan is essentially the existing Tier II plan with the exception that employee contributions of 2 percent of salary are required. Tier I members are vested after ten years of service, while Tier II and Tier IIA members may be vested after five years of service under certain conditions, and all three plans provide for death and disability benefits.

Employees hired on or after July 1, 2011 are covered under the Tier III plan. Tier III requires employee contributions of two percent of salary up to a \$250,000 limit after which no additional contributions will be taken on earnings above this limit. The normal retirement date will be the first of any month on or after age 63 if the employee has at least 25 years of vested service or age 65 if the employee has at least 10 but less than 25 years of vested service. Tier III members who have at least 10 years of vested service can receive early reduced retirement benefits if they retire on the first of any month on or following their 58th birthday. Tier III normal retirement benefits include annual retirement benefits for life, in the amount of one and one-third percent of the five year average annual earnings plus one-half of one percent of the five year average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service plus one and five-eighths of the five year annual average salary times years of credited service over 35 years.

The total payroll for employees of the CGB covered by SERS for the years ended June 30, 2014 and 2013 was \$3,121,583 and \$2,517,190, respectively.

**CONTRIBUTIONS MADE**

CGB's contribution is determined by applying a State mandated percentage to eligible salaries and wages as follows for the years ended June 30:

	2014	2013	2012
Contributions made:			
By employees	\$ 139,217	\$ 104,214	\$ 59,034
Percent of current year covered payroll	4.5%	4.1%	3.8%
By CGB	\$ 1,669,961	\$ 1,125,649	\$ 601,014
Percent of current year covered payroll	53.5%	44.7%	39.0%

# CONNECTICUT GREEN BANK

# DRAFT

## NOTES TO FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2014

(With Summarized Totals for the Year Ended June 30, 2013)

#### NOTE 15 – RESTRICTED NET POSITION (PRIMARY GOVERNMENT)

Restricted net position at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Non-Expendable		
CGB component unit equity interest	\$ <u>1,000</u>	\$ <u>1,000</u>
Energy Programs		
Primary Government		
CGB		
Assets restricted to fund maintenance of a fuel cell for a Connecticut municipality	\$ 176,975	\$ 176,975
Assets restricted for specific programs in accordance with contractual obligations	464,088	393,000
Assets restricted for maintaining loan loss and interest rate buydown reserves	4,072,652	4,466,681
CT Solar Loan I LLC		
Assets restricted by contractual obligations for maintaining loan loss and interest rate buydown reserves	<u>300,000</u>	<u>--</u>
	5,013,715	5,036,656
Discretely Presented Component Units		
CT Solar Lease 2 LLC		
Assets restricted for maintaining loan loss and interest rate buydown reserves	3,500,000	3,500,000
Assets restricted for operating and maintenance reserve	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 9,513,715</u>	<u>\$ 9,536,656</u>



**NOTES TO FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2014**(With Summarized Totals for the Year Ended June 30, 2013)

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**NOTE 16 – RISK MANAGEMENT**

CGB is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses exceeding insurance coverage, and there have been no decreases in insurance coverage over the last three years.

**NOTE 17 – RENEWABLE ENERGY CREDITS (PRIMARY GOVERNMENT)**

CGB owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain commercial renewable energy facilities for which CGB provided the initial funding. On October 22, 2010, CGB entered into an agreement to sell a total of 10,000 RECs generated, or to be generated, during the period January 1 to December 31, 2014 at a price of \$15.00 per REC, totaling \$150,000. As of June 30, 2014, CGB has satisfied its obligations under this agreement.

RECs trade on the New England Power Pool (NEPOOL) market. The market price of Connecticut Class 1 RECs as of June 30, 2014 ranged from \$53.00 to \$54.00. CGB's inventory as of June 30, 2014 has been priced at its cost.

**STATISTICAL SECTION**  
(unaudited)

**STATISTICAL SECTION INTRODUCTION**

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This part of the Connecticut Green Bank's (CGB) comprehensive annual financial report presents detailed information as a context for understanding what the information about the primary government and the discretely presented component units in the financial statements, note disclosures, and required supplementary information says about the benefits of CGB's investments.

## **FINANCIAL STATISTICS**

## CONNECTICUT GREEN BANK

## NET POSITION

	June 30,		
	2012	2013	2014
<b>Primary Government</b>			
Invested in capital assets, net of related debt	\$ 91,329	\$ 362,505	\$ 289,932
Restricted Net Position			
Non-expendable	--	1,000	1,000
Restricted - energy programs	176,974	5,036,656	5,013,715
Unrestricted	<u>80,920,002</u>	<u>93,717,230</u>	<u>111,642,175</u>
	<u>81,188,305</u>	<u>99,117,391</u>	<u>116,946,822</u>
<b>CT Solar Lease 2 LLC</b>			
Invested in capital assets, net of related debt	--	--	3,538,975
Restricted Net Position			
Non-expendable	--	100	1,294,801
Restricted - energy programs	--	4,500,000	4,500,000
Unrestricted (deficit)	<u>--</u>	<u>(1,616,886)</u>	<u>(5,741,703)</u>
	<u>--</u>	<u>2,883,214</u>	<u>3,592,073</u>
<b>CEFIA Solar Services, Inc.</b>			
Restricted Net Position			
Non-expendable	--	100	100
Restricted - energy programs	--	--	--
Unrestricted (deficit)	<u>--</u>	<u>--</u>	<u>109,123</u>
	<u>--</u>	<u>100</u>	<u>109,223</u>
<b>Total Net Position</b>	<u>\$ 81,188,305</u>	<u>\$ 102,000,705</u>	<u>\$ 120,648,118</u>

## CONNECTICUT GREEN BANK

## CHANGES IN NET POSITION

	Year Ended June 30,		
	2012	2013	2014
<b><u>Primary Government</u></b>			
<b>Operating Revenues</b>	<u>\$ 39,753,684</u>	<u>\$ 43,343,093</u>	<u>\$ 52,601,283</u>
<b>Operating Expenses</b>			
Grants and program expenditures	31,122,355	23,634,465	23,214,499
General and administrative expenses	1,387,854	1,811,227	2,403,068
Cost of Goods Sold	--	--	2,794,270
Provision for loan losses	<u>--</u>	<u>--</u>	<u>1,310,933</u>
<b>Total Operating Expenses</b>	<u>32,510,209</u>	<u>25,445,692</u>	<u>29,722,770</u>
<b>Operating Income (Loss)</b>	<u>7,243,475</u>	<u>17,897,401</u>	<u>22,878,513</u>
<b>Non-Operating Revenue and (Expenses)</b>			
Interest on solar lease notes	589,007	583,575	571,396
Interest on short-term investments	140,786	103,928	551,393
Interest income	--	--	67,958
Realized gain (loss) on investments	--	(1,034,605)	(350,000)
Unrealized gain (loss) on investments	<u>434,702</u>	<u>378,059</u>	<u>349,999</u>
<b>Net Non-Operating Revenues</b>	<u>1,164,495</u>	<u>30,957</u>	<u>1,190,746</u>
<b>Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)</b>	8,407,970	17,928,358	24,069,259
<b>Capital Contributions</b>	--	1,000	--
<b>Transfers to State of Connecticut</b>	<u>--</u>	<u>--</u>	<u>(6,200,000)</u>
<b>Increase in Net Position</b>	<u>\$ 8,407,970</u>	<u>\$ 17,929,358</u>	<u>\$ 17,869,259</u>

## CONNECTICUT GREEN BANK

## CHANGES IN NET POSITION

	Year Ended June 30,		
	2012	2013	2014
<b><u>CT Solar Lease 2 LLC</u></b>			
<b>Operating Revenues</b>	\$ --	\$ --	\$ 1,770
<b>Operating Expenses</b>			
General and administrative expenses	--	853,480	727,697
<b>Total Operating Expenses</b>	--	853,480	727,697
<b>Operating Loss</b>	--	(853,480)	(725,927)
<b>Non-Operating Revenue and (Expenses)</b>			
Interest on solar lease notes	--	--	8,642
Interest expense	--	--	(57,407)
<b>Net Non-Operating Revenues</b>	--	--	(48,765)
<b>Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)</b>	--	(853,480)	(774,692)
<b>Capital Contributions</b>	--	3,736,694	1,496,135
<b>Distributions to Members</b>	--	--	(12,584)
<b>Increase in Net Position</b>	\$ --	\$ 2,883,214	\$ 708,859

## CONNECTICUT GREEN BANK

## CHANGES IN NET POSITION

	Year Ended June 30,		
	2012	2013	2014
<b><u>CEFIA Solar Services, Inc.</u></b>			
<b>Operating Revenues</b>	\$ --	\$ --	\$ 120,000
<b>Operating Expenses</b>			
General and administrative expenses	--	--	10,877
<b>Total Operating Expenses</b>	--	--	10,877
<b>Operating Loss</b>	--	--	109,123
<b>Net Non-Operating Revenues</b>	--	--	--
<b>Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)</b>	--	--	109,123
<b>Capital Contributions</b>	--	100	--
<b>Increase in Net Position</b>	\$ --	\$ 100	\$ 109,123



## CONNECTICUT GREEN BANK

## REVENUE BY SOURCE

	Total Revenues	Utility Customer Assessments		RGGI Auction Proceeds		Grant Revenue		Sales of Energy Equipment		Other Revenues		Investment Income	
		Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual	Revenue	% of Annual
<b><u>Primary Government</u></b>													
2012	\$ 40,918,179	\$ 27,025,088	66.05 %	\$ 2,052,748	5.02 %	\$ 10,435,251	25.50 %	\$ --	-- %	\$ 240,597	0.59 %	\$ 1,164,495	2.85 %
2013	43,374,050	27,621,409	63.68 %	4,744,657	10.94 %	10,035,250	23.14 %	--	-- %	941,777	2.17 %	30,957	0.07 %
2014	53,792,029	27,779,345	51.64 %	20,074,668	37.32 %	621,642	1.16 %	3,548,840	6.60 %	576,788	1.07 %	1,190,746	2.21 %
<b><u>CT Solar Lease 2 LLC</u></b>													
2012	\$ --	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %
2013	--	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %
2014	10,412	--	-- %	--	-- %	--	-- %	--	-- %	1,770	17.00 %	8,642	83.00 %
<b><u>CEFIA Solar Services, Inc.</u></b>													
2012	\$ --	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %	\$ --	-- %
2013	--	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %
2014	120,000	--	-- %	--	-- %	--	-- %	--	-- %	120,000	100.00 %	--	-- %

## **NON-FINANCIAL STATISTICS**

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**NON-FINANCIAL STATISTICS CONTENTS**

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<b><u>Tab</u></b>	<b><u>Contents</u></b>
1	Project Status
2	Energy Benefits – Clean Energy Produced and Energy Saved
3	Total Clean Energy Investment and Estimated Jobs Created
4	Environmental Benefits – Carbon Emission Reductions and Equivalencies
5	Green Bank Model
6	Renewable Energy Technology Deployment

## 1. PROJECT STATUS

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CGB tracks projects through three phases as they move through the pipeline to construction completion and operation – Approved, Closed, and Completed. Approved signifies that the appropriate authority within CGB, whether President and CEO, Deployment Committee, or Board of Directors, has approved CGB’s investment in the project. Closed indicates all financial and legal documents have been executed and any additional funding has been secured. Completion indicates all construction and installation is complete and the project is operational. The table highlights the fact that projects can take some time to move through this pipeline. The full energy, economic, and environmental benefits from these projects are not fully realized until they are completed.

	2012	2013	2014	Total
Approved	20	64	2,139	2,223
Closed	--	3	276	279
Completed	<u>396</u>	<u>1,055</u>	<u>596</u>	<u>2,047</u>
<b>Total</b>	<u><u>416</u></u>	<u><u>1,122</u></u>	<u><u>3,011</u></u>	<u><u>4,549</u></u>

## 2. ENERGY BENEFITS

### CLEAN ENERGY PRODUCED AND ENERGY SAVED

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. This chart shows the energy benefits from CGB projects, in terms of capacity (megawatts [MW]), clean energy production (lifetime megawatt hours [MWh]), and annual energy savings (MMBTU).

	2012	2013	2014	Total
<b>MW</b>				
Approved	0.1	0.5	31.4	32.0
Closed	--	--	4.3	4.3
Completed	<u>2.7</u>	<u>23.0</u>	<u>4.2</u>	<u>29.9</u>
<b>Total</b>	<u><u>2.9</u></u>	<u><u>23.5</u></u>	<u><u>39.9</u></u>	<u><u>66.3</u></u>
<b>MWh (Lifetime)</b>				
Approved	3,235.30	10,979.00	1,479,289.00	1,493,503.30
Closed	--	140.00	103,318.00	103,458.00
Completed	<u>64,849.10</u>	<u>1,427,252.00</u>	<u>100,050.00</u>	<u>1,592,151.10</u>
<b>Total</b>	<u><u>68,084.40</u></u>	<u><u>1,438,371.00</u></u>	<u><u>1,682,657.00</u></u>	<u><u>3,189,112.40</u></u>
<b>MMBTU (Annual)</b>				
Approved	--	--	200,479	200,479
Closed	--	777	38,365	39,142
Completed	<u>--</u>	<u>15,228</u>	<u>18,001</u>	<u>33,229</u>
<b>Total</b>	<u><u>--</u></u>	<u><u>16,005</u></u>	<u><u>256,845</u></u>	<u><u>272,850</u></u>

### 3. TOTAL CLEAN ENERGY INVESTMENT AND ESTIMATED JOBS CREATED

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. The chart below highlights the economic benefits of CGB's projects. Investment represents the total amount of private and public funding for clean energy projects and direct and indirect and induced jobs quantifies the resulting job creation.

	2012	2013	2014	Total
<b>Investment</b>				
Approved	\$ 667,959	\$ 2,227,475	\$ 179,097,044	\$ 181,992,478
Closed	--	404,596	19,429,244	19,833,840
Completed	<u>14,234,954</u>	<u>107,987,517</u>	<u>26,196,310</u>	<u>148,418,781</u>
<b>Total</b>	<u><u>\$ 14,902,913</u></u>	<u><u>\$ 110,619,588</u></u>	<u><u>\$ 224,722,598</u></u>	<u><u>\$ 350,245,099</u></u>
<b>Direct Jobs</b>				
Approved	4	13	469	486
Closed	--	3	108	111
Completed	<u>84</u>	<u>559</u>	<u>157</u>	<u>800</u>
<b>Total</b>	<u><u>88</u></u>	<u><u>575</u></u>	<u><u>734</u></u>	<u><u>1,397</u></u>
<b>Indirect and Induced Jobs</b>				
Approved	6	21	754	781
Closed	--	5	172	177
Completed	<u>135</u>	<u>1,132</u>	<u>252</u>	<u>1,519</u>
<b>Total</b>	<u><u>142</u></u>	<u><u>1,158</u></u>	<u><u>1,179</u></u>	<u><u>2,478</u></u>

Jobs estimates are based on multipliers determined as a result of work performed by Navigant Consulting for the *Connecticut Renewable Energy and Energy Efficiency Economy Baseline Study* completed in March 2009 and subsequently updated in 2010. This Navigant Study was an independent, third party analysis of Connecticut's clean energy economy. Data was acquired as a result of primary research. Navigant performed a census of over 300 companies, institutions, and organizations identified as active players in Connecticut's renewable energy and energy efficiency economy. Seventy four (74) key renewable energy and energy efficiency companies were interviewed; 95 additional key companies were researched in detail. All renewable companies in Connecticut were identified and analyzed. Key energy efficiency companies were identified and analyzed, with the overall market size estimated by extrapolation. Company interviews included questions about customers, supply chain, number of jobs, corresponding salaries, and revenue. Detailed interview questionnaires are available in the Methodology section of the Baseline Study, pages 58-81 – <http://www.ctcleanenergy.com/Portals/0/Phase%201%20Deliverable%20Final%20Full.pdf>.

DECD has approved of the methodology for estimating the economic development benefits (i.e., job-years created) from the investment in clean energy projects.

#### 4. ENVIRONMENTAL BENEFITS

##### CARBON EMISSION REDUCTIONS AND EQUIVALENCIES

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. The chart below highlights the environmental benefits of these projects as a reduction in carbon (CO2) emissions and standard equivalencies.

	2012	2013	2014	Total
<b>Lifetime CO2 Emission Reductions (Tons)</b>				
Approved	1,678	5,693	264,630	272,000
Closed	--	73	53,570	53,643
Completed	33,624	171,786	51,876	257,286
<b>Total</b>	<b>35,302</b>	<b>177,551</b>	<b>370,076</b>	<b>582,929</b>
<b>Energy for Number of Homes</b>				
Approved	15	52	1,866	1,934
Closed	--	1	492	493
Completed	309	2,166	476	2,951
<b>Total</b>	<b>324</b>	<b>2,219</b>	<b>2,835</b>	<b>5,377</b>
<b>Cars off the Road</b>				
Approved	11	38	1,544	1,593
Closed	--	0	472	473
Completed	224	3,245	439	3,908
<b>Total</b>	<b>235</b>	<b>3,283</b>	<b>2,455</b>	<b>5,973</b>
<b>Planting Number Acres of Trees</b>				
Approved	22	76	2,704	2,802
Closed	--	1	684	685
Completed	448	1,580	746	2,775
<b>Total</b>	<b>471</b>	<b>1,657</b>	<b>4,134</b>	<b>6,262</b>

#### 4. ENVIRONMENTAL BENEFITS

##### CARBON EMISSION REDUCTIONS AND EQUIVALENCIES

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All emissions reductions from renewable energy projects are determined using ISO-New England information, because that is where the energy will be displaced. This produces results that may be significantly different from emissions savings based on a comparison to national averages. In addition, the generation characteristics of each technology have an impact on the emissions reduction that can be expected. Solar-powered systems will produce only during the daylight hours, which normally coincide with the peak demand period for the utilities. The generating fleet during this time may include peaking plants and reserve plants, which will have lower efficiencies than the “baseload” plants which run 24 hours per day. Consequently, emissions are higher, and the renewable energy systems look better by comparison. The calculations are based on the results of the 2007 New England Marginal Emission Rate Analysis ([http://www.iso-ne.com/genrtion\\_resrcs/reports/emission/2007\\_mea\\_report.pdf](http://www.iso-ne.com/genrtion_resrcs/reports/emission/2007_mea_report.pdf)). The appropriate marginal emissions rates for Connecticut are used to determine the net avoided emissions for each of the technologies evaluated.

- a. PV systems are analyzed using the average of the Marginal Emission Rates (in Lbs/MWh) for “On-Peak Ozone Season” and “On-Peak Non-Ozone Season”. The underlying assumptions are that PV systems will be operating primarily during the on-peak periods, and that their output in the five months of the “Ozone Season” (May – September) is about the same as in the seven months of the “Non-Ozone Season.”
- b. Fuel cells are also evaluated using the “Annual Average (all hours) Marginal Emission Rates”, because they are expected to produce power continually as “base load” generators. Fuel Cell emissions assume that 50% of the thermal output (“waste heat”) is used to displace natural gas used for heating. This is conservative, since 50% thermal utilization is the minimum standard for CCEF’s acceptance of a fuel cell project.

It should be noted that emissions estimates for anaerobic digester, wind, and energy efficiency projects were not estimated.

To determine the exact avoided CO<sub>2</sub> for CHP projects we need to know what the CHP system is displacing (i.e. boiler, grid, etc.), as well as the efficiencies, in order to determine the existing CO<sub>2</sub> emissions and then do the calculation to get the avoided emissions. For general purposes a typical 3.7 MW system operating on natural gas would generate about 13,000 tons of CO<sub>2</sub> annually and 195,000 Tons over its 15-year life. Typically avoiding 35-50% CO<sub>2</sub> overall from the existing infrastructure. Not factoring in the utility transmission and distribution losses.

It should be noted that a methodology for estimating the environmental protection benefits (i.e., GHG emissions reduced) has not yet been proposed to or approved by DEEP from the investment in clean energy projects.



## 5. GREEN BANK MODEL

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As the first Green Bank in the country, CGB seeks to use limited public resources to attract private capital investment in clean energy. CGB does this by moving away from the grant-based model of supporting clean energy and towards a financing model. As highlighted in the below chart, CGB has quickly moved towards this model, with less and less funds devoted to subsidies. This trend has corresponded to an increase in total investment in clean energy, \$350 million in total, as CGB is able to do more while managing ratepayer resources more responsibly.

Fund Used*	2012	2013	2014	Total
Subsidies	\$ 4,567,434	\$ 14,681,558	\$ 22,242,024	\$ 41,491,016
Credit Enhancements	--	9,004	1,217,694	1,226,698
Loans and Leases	--	6,910,492	50,457,895	57,368,387
<b>Total</b>	<b>\$ 4,567,434</b>	<b>\$ 21,601,054</b>	<b>\$ 73,917,613</b>	<b>\$ 100,086,101</b>
<b>Percent Green Bank Funds Invested in Subsidies</b>	<b>100.0 %</b>	<b>68.0 %</b>	<b>30.0 %</b>	<b>41.5 %</b>

\* approved/closed/completed in FY 2012 - FY 2014

## CONNECTICUT GREEN BANK

## 6. RENEWABLE ENERGY TECHNOLOGY DEPLOYMENT

CGB's takes a technology agnostic approach to its financing products, with any commercially available technology that meets legal guidelines eligible.

	Residential Sector		Commercial and Industrial Sector		Institutional Sector		Infrastructure Sector		Total	
	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)
Solar PV	4.7	110,632	5.1	120,780	--	--	29.2	694,920	39.0	926,332
Anaerobic Digesters	--	--	--	--	--	--	3.8	605,491	3.8	605,491
Fuel Cell	--	--	--	--	--	--	14.8	1,166,832	14.8	1,166,832
Combined Heat and Power	--	--	--	--	--	--	3.8	44,658	3.8	44,658
Wind	--	--	--	--	--	--	5.0	226,096	5.0	226,096
<b>Total</b>	<u>4.7</u>	<u>110,632</u>	<u>5.1</u>	<u>120,780</u>	<u>--</u>	<u>--</u>	<u>56.6</u>	<u>2,737,997</u>	<u>66.3</u>	<u>2,969,409</u>

*Includes approved, closed, and completed projects*

DRAFT

**CONNECTICUT GREEN BANK**

(A Component Unit of the State of Connecticut)

**REPORTING UNDER *GOVERNMENT AUDITING STANDARDS***

**AND**

**REPORTING REQUIRED UNDER FEDERAL CIRCULAR OMB A-133**

**FOR THE YEAR ENDED JUNE 30, 2014**

CONNECTICUT GREEN BANK

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**Federal Single Audit**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
**Clean Energy Finance and Investment Authority**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activity and discretely presented component units of the Connecticut Green Bank (a component unit of the State of Connecticut), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Connecticut Green Bank's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2014.

***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audit of the financial statements, we considered the Connecticut Green Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Connecticut Green Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Connecticut Green Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## ***COMPLIANCE AND OTHER MATTERS***

As part of obtaining reasonable assurance about whether the Connecticut Green Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## ***PURPOSE OF THIS REPORT***

The purpose of this report is solely to describe the scope and testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartford, CT  
\_\_\_\_\_, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND  
REPORT ON SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors  
**Clean Energy Finance and Investment Authority**

***Report on Compliance for Each Major Federal Program***

We have audited the Connecticut Green Bank's ("CGB") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CGB's major federal programs for the year ended June 30, 2014. CGB's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CGB's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CGB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CGB's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, CGB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## ***Report on Internal Control Over Compliance***

Management of CGB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CGB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CGB's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding #2014-1 that we consider to be a significant deficiency.

CGB's response to the internal control over compliance finding identified in our audit is contained in the accompanying management's response in this reporting package. CGB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

We have audited the financial statements of CGB as of and for the year ended June 30, 2014, and have issued our reported thereon dated \_\_\_\_\_, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose for forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hartford, CT  
\_\_\_\_\_, 2014

## CONNECTICUT GREEN BANK

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Program Title	CFDA Number	Expenditures
Department of Energy		
Passed Through by the State of Connecticut Department of Energy and Environmental Protection:		
State Energy Program (Recovery Act)	81.041	\$ 537,683
Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act)	81.128	323,520
Energy Efficiency and Renewable Energy Cooperative Agreement (Energy Policy Act)	81.117	<u>77,436</u>
<b>Total Expenditures of Federal Awards</b>		<u><u>\$ 938,639</u></u>

*See Notes to Schedule of Expenditures of Federal Awards.*

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES*****BASIS OF PRESENTATION***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Connecticut Green Bank (CGB) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

**NOTE 2 – CHANGE OF NAME**

In June 2014, the Clean Energy Finance and Investment Authority (CEFIA) changed its name to the Connecticut Green Bank.

**NOTE 3 – STATE ENERGY PROGRAM (RECOVERY ACT) #81.041**

Included within the program's total federal expenditures is \$523,883 of funds set aside during 2014 under written agreements for loan-loss reserves and interest rate buy-down programs with banks which participate with CGB in financing of solar energy programs. The funds are committed to these loan-loss reserves and interest rate buy-downs for a period of fifteen years and are unavailable for any other use or purpose by CGB.

Federal expenditures under #81-041 for purposes of the schedule are comprised as follows:

Commitments for loan-loss reserves and interest rate buy-downs	\$ 523,883
Amounts expensed for interest rate buy-downs	<u>13,800</u>
	<u><u>\$ 537,683</u></u>

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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**SECTION I – SUMMARY OF AUDITORS’ RESULTS***Financial Statements*

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Type of auditors’ report issued on compliance for major programs: unmodified.

Any audit finding disclosed that are required to  
be reported in accordance with Section 510(a) of  
OMB Circular A-133?

☒ yes ☐ no**Major Programs:**

Funding Source	Program	CDFA No.
U.S. Department of Energy	State Energy Program (Recovery Act)	81.041
	Energy Efficiency and Conservation Block Grant (Recovery Act)	81.128

**Dollar Threshold Used to Distinguish Type A and Type B Programs:** \$300,000**Qualification of Auditee as a Low-Risk Auditee:** Yes

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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**SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERAL ACCEPTED *GOVERNMENT AUDITING STANDARDS***

- We issued reports, dated \_\_\_\_\_, 2014, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance and other matters indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no material weaknesses.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Finding #2014-1:*** Reporting - #81.041/#81.128

***Criteria:*** Reports should be reviewed prior to submission by someone other than the preparer of those reports in order to insure completeness and accuracy over reporting.

***Condition:*** CGB financial reporting is not subject to a documented review process prior to submissions. Internal control over a reporting process dictates that one individual should not be the preparer, reviewer, and submitter of required reports. Reviews by someone other than the preparer should be documented through either direct signoff or by electronic means, prior to submission.

***Questioned Costs:*** None

***Context and Cause:*** One individual prepares and then submits reports. At the time reports are filed with the Connecticut Department of Energy and Environmental Protection (DEEP) they are simultaneously submitted to various members of CGB management. Our test work disclosed no errors in reporting.

***Effect:*** Without a review prior to the submission, errors in reporting could occur that otherwise might be identified and corrected timely.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

***Recommendation:*** All future reports should be reviewed prior to their submission by a designated member of management other than the preparer. Such review should be documented manually or through electronic means.

***Views of Responsible Officials and Planned Corrective Action:***

See management's response contained in this reporting package.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

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*Finding #2013-1*

**Condition:** The reporting for June 30, 2013 for federal program #81.041 contained an incorrect amount for contractual outlay expenditures. Such report was not reviewed prior to its submission by someone other than the preparer.

**Status:** Repeated as to the review process in finding #2014-1.



**CLEAN ENERGY**  
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# Memo

**To:** Board of Directors of the Clean Energy Finance and Investment Authority

**From:** Mackey Dykes, Chief Operating Officer

**CC:** Bryan Garcia, President and CEO

**Date:** November 25, 2014

**Re:** State of Connecticut Auditors' Report

---

The State of Connecticut Auditors of Public Accounts (APA) released their report on the Clean Energy Finance and Investment Authority (CEFIA) for fiscal years 2012 and 2013 (see Attachment A) on November 18, 2014. In it, they identified several administrative and reporting issues. The purpose of this memo is to outline these issues and CEFIA's corrective actions.

The auditors considered the violations minor and accepted our responses and corrective actions. We take these audits and findings seriously and have used them to help us implement several valuable process improvements.

## **Administration of Compensatory Time**

The APA found that CEFIA's "comp" time policies were not adhered to. CEFIA's policy allows employees who are not senior management to earn "comp" time for extra time worked on weekends and state holidays. CEFIA's policy is more restrictive than the state policy in this regard, as state policy places no restriction on when it can be earned (i.e., weekdays, weekends, and holidays). Written permission to earn "comp" time must be received in advance.

The APA found instances where permission was not received in advance as well as earned on a weekday. In addition to reviewing the current policy with all supervisory staff, CEFIA implemented the following process to address the finding:

1. Staff must obtain approval in advance from their direct supervisor and the COO to work extra hours and earn "comp" time;
2. Staff must submit this approval and request for "comp" time to the human resources department for processing; and
3. The human resources department will not process any requests without all necessary documentation, preventing any "comp" time accruals that violate the policy.

Overall, "comp" time has become less of a policy utilized by CEFIA, as outlined in Table 1.



**Table 1. "Comp" Time by Year**

<b>Fiscal Year</b>	<b>Hours Earned</b>
FY12	91.5
FY13	115.5
FY14	55.0
FY15	50.0

### **Statutory Noncompliance with the Awarding of Contracts**

CEFIA's operating procedures states that all contracts are subject to state procurement and contracting requirements. The APA found instances where language concerning occupational safety and health act violations for consultants, campaign contributions, and non-discrimination was not included in contracts. Attachment B contains the specific language that was missing in contracts.

CEFIA had already identified this as a problem in fiscal year 2012 and taken action. Upon becoming General Counsel at the end of 2011, Brian Farnen reviewed all contract templates and found that some state contracting requirements were not met. He instituted a new contract template process that remedied this issue and prevented further findings.

### **Untimely Reporting**

Section 1-123 of the General Statutes requires CEFIA to submit several reports on a quarterly and annual basis:

- Financial report to the Office of Fiscal Analysis (quarterly)
- Personnel status report to the Office of Fiscal Analysis (quarterly)
- Annual report to the Governor, APA, and the Legislative Program Review and Investigations Committee (yearly)
- Renewable Energy and Efficient Energy Finance program report (yearly) to the Energy and Technology Committee

Examples of these quarterly reports are found in Attachment C.

The APA found instances where these reports had not been filed in a timely manner. CEFIA immediately filed any that were outstanding and implemented the following procedures to strengthen internal controls:

- Assigned ultimate responsibility for managing data collection, development and timely submission of all the reports to the COO;
- Developed a schedule of dates for each report in Section 1-123 and assigned responsibility to members of the management team; and
- Included timely submission as an annual performance goal for each assignee.

# STATE OF CONNECTICUT



**AUDITORS' REPORT  
CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY  
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

**AUDITORS OF PUBLIC ACCOUNTS**  
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

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# STATE OF CONNECTICUT



## AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol  
210 Capitol Avenue  
Hartford, Connecticut 06106-1559

ROBERT M. WARD

November 18, 2014

### **AUDITORS' REPORT CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2013**

We have audited certain operations of the Clean Energy Finance and Investment Authority (CEFIA) in fulfillment of our duties under Sections 1-122 and Section 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the years ended June 30, 2012 and 2013. The objectives of our audit were to:

1. Evaluate the authority's internal controls over significant management and financial functions;
2. Evaluate the authority's compliance with policies and procedures internal to the authority or promulgated by other state agencies, as well as certain legal provisions, including but not limited to whether the Clean Energy Finance and Investment Authority has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds and the distribution of loans, grants and other financial assistance, as applicable; and
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the authority, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could

occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Résumé of Operations is presented for informational purposes. This information was obtained from the authority's management and was not subjected to the procedures applied in our audit of the authority. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent noncompliance with legal provisions; and
3. No need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations in the accompanying report presents any findings arising from our audit of the Clean Energy Finance and Investment Authority.

## **COMMENTS**

### **FOREWORD**

The Clean Energy Finance and Investment Authority (CEFIA) was established on July 1, 2011, pursuant to Public Act 11-80. CEFIA, also known as the Connecticut Green Bank, operates primarily under Section 16-245n of the General Statutes. Pursuant to Section 16-245n subsection (d)(1)(A), CEFIA is a public instrumentality and political subdivision of the state. Pursuant to Chapter 12 of the General Statutes, CEFIA is classified as a quasi-public agency subject to the requirements found in Chapter 12. As a quasi-public agency, CEFIA's financial information is included as a component unit in the State of Connecticut's Comprehensive Annual Financial Report.

CEFIA constitutes the successor agency to Connecticut Innovations, Incorporated (CI) for the purposes of administering the Clean Energy Fund in accordance with Section 4-38d of the General Statutes. CEFIA utilizes the services of CI as provided for in the General Statutes. CI provides services to CEFIA, at cost, for its operations.

CEFIA was created to support financing or other expenditures that promote the deployment of clean energy in Connecticut in accordance with a comprehensive plan. CEFIA's purposes are: (1) developing programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects and such other programs as CEFIA

may determine; (2) supporting financing or other expenditures that promote investment in clean energy sources to foster the growth, development and commercialization of clean energy sources and related enterprises; and (3) stimulating demand for clean energy and the deployment of clean energy sources within the state that serves end-use customers in the state.

Section 16-245n subsection (b) provides that, on or after January 1, 2004, the Public Utilities Regulatory Authority shall assess or cause to be assessed a charge per kilowatt-hour to each end-user of electrical service in the state, which shall be deposited into the Clean Energy Fund. During the audited period, the charge was one mill per kilowatt-hour. It is this assessment that provides the principal source of CEFIA's revenue. In accordance with Section 16-245n subsection (c), the Clean Energy Fund is within CEFIA and may receive any amount required by law to be deposited into the fund and may receive any federal funds as may become available to the state for clean energy investments. Upon authorization by the CEFIA board, any amount in said fund may be used for expenditures that promote investment in clean energy in accordance with its comprehensive plan.

During the 2012-2013 fiscal year, CEFIA established four legally separate for-profit entities whose collective purpose, at the present time, is to administer CEFIA's solar energy programs as follows.

### **CEFIA Holdings LLC**

CEFIA Holdings LLC is a Connecticut limited liability corporation (LLC) 99 percent owned by CEFIA and one percent owned by CI that was established to fund a portfolio of residential solar loans, and through its CT Solar Lease 2 program, to enable investment in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities (the end users). CEFIA Holdings LLC acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the end users. CEFIA Holding LLC is also responsible for procuring insurance for the solar assets, operation and maintenance services, as well as warranty management services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC, to which CEFIA Holdings LLC sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 LLC administers the portfolio of projects with the assistance of an outside corporation. CEFIA Holdings LLC is presented in CEFIA's financial statements as a blended unit.

### **CEFIA Solar Loan I LLC**

CEFIA Solar Loan I LLC is a limited liability corporation wholly owned by CEFIA Holdings LLC, established to make loans to residential property owners for the purposes of installing photovoltaic equipment. It is presented as a blended unit in CEFIA's financial statements.

### **CEFIA Solar Services, Inc.**

CEFIA Solar Services, Inc., is a Connecticut corporation, 100 percent owned by CEFIA Holdings LLC, established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and solar thermal equipment and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC. CEFIA Solar Services, Inc. has a one percent ownership interest in CT Solar 2 LLC and is the managing member of the entity responsible for performing all management and operational functions pursuant to the Operating Agreement of CT Solar Lease 2 LLC. This entity is presented as a discrete unit in CEFIA's financial statements.

### **CT Solar Lease 2 LLC**

CT Solar Lease 2 LLC is a CT limited liability corporation that acquires the title to residential and commercial solar projects from the developer, CEFIA Holdings LLC, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners' repayment to CT Solar Lease 2 LLC of the installation funds advance, as well as revenue earned from production-based incentives. CT Solar Lease 2 LLC is owned 99 percent by an outside limited liability company, as the investor member and one percent by CEFIA Solar Services Inc. as the managing member. This entity is presented as a discrete unit in CEFIA's financial statements.

### **Significant State Legislation**

Public Act 11-80 created CEFIA to administer the Clean Energy Fund. The act expands the resources that can go into the Clean Energy Fund to include private capital and revenue reallocated to the fund by the legislature. The act expands the types of projects the fund can support to include electric and natural gas vehicle infrastructure, electricity storage, and the financing of energy efficiency. The act establishes three-year pilot programs to develop combined heat and power and anaerobic digester projects and provides \$2 million annually for each of the programs. The act requires CEFIA to establish a program to promote residential photovoltaic systems under which participants can choose to receive an up-front payment tied to the power the systems produce. The act modifies the Green CT Loan Guaranty Fund program and transfers its administration from the Connecticut Health and Educational Facilities Authority to CEFIA.

Public Act 12-189 eliminated the municipal renewable energy and efficient energy generation grant program for municipalities and requires CEFIA to establish a renewable energy and efficient energy finance program for any entities, not just municipalities, undertaking these types of projects. The act transfers an existing \$18 million bond authorization for the municipal grant program, which the State Bond Commission never allocated, to CEFIA for the financing program. The bonds are subject to standard statutory issuance and repayment requirements and their proceeds go into a separate account within the Clean Energy Fund.

Public Act 12-2 of the June Special Session of the General Assembly clarified that CEFIA is a political subdivision of the state. The act requires CEFIA to establish a separate property-

assessed clean energy program for qualifying commercial property and allows municipalities to participate in the program under a written agreement approved by their legislative bodies. The act allows CEFIA to (a) issue revenue bonds; (b) use the bond proceeds to promote renewable energy and the financing of energy efficiency projects; and (c) establish one or more special capital reserve funds for the bonds. The act also entitles CEFIA to part of the state's annual private activity bond allocation.

### **Board of Directors and Administrative Officials**

Pursuant to Section 16-245n subsection (e) of the General Statutes, the powers of CEFIA are vested in and exercised by a board of directors. The CEFIA board shall consist of eleven voting and two nonvoting members, each with knowledge and expertise in matters related to the purpose and activities of CEFIA, and shall include four members appointed by the Governor, four members appointed by various legislative leaders, the State Treasurer, the commissioner of the Department of Energy and Environmental Protection and the commissioner of the Department of Economic and Community Development. In addition, the president of CEFIA and a member of the board of Connecticut Innovations, Incorporated, appointed by the chairperson of CI, shall serve on the board in an ex-officio, nonvoting capacity. The Governor shall appoint the chairperson of the board. The board shall adopt bylaws and procedures it deems necessary to carry out its functions.

The members of CEFIA's board of directors as of June 30, 2013, were as follows:

**Appointed by the Governor:**

Mun Y. Choi, Ph. D.  
Reed E. Hundt  
John Olsen  
Vacancy

**Legislative Appointments:**

Thomas M. Flynn  
Norma Glover  
Matthew Ranelli  
Patricia Wrice

**Ex-Officio:**

Catherine H. Smith, Chairperson, Commissioner of the Department of Economic and  
Community Development  
Daniel Esty, Commissioner of the Department of Energy and Environmental  
Protection  
Denise L. Nappier, State Treasurer

**Non-voting Members**

Bryan Garcia, President of CEFIA  
Vacancy (appointed by CI board)



Mark Cirelli also served during the audited period.

In addition, the board has set up several committees and sub-committees to review and discuss issues and assist the board in making decisions related to CEFIA. During the audited period, the CEFIA board had the following four standing committees: Audit, Compliance, and Governance Committee; Budget and Operations Committee; Deployment Committee; and Technology Innovation Committee.

Bryan Garcia served as President of CEFIA throughout the audited period and continues to serve in that capacity.

## **RÉSUMÉ OF OPERATIONS**

The financial position of CEFIA as of June 30, 2011 and 2012, is presented below. For comparative purposes, the figures for the Clean Energy Fund, the predecessor entity to CEFIA, are presented for the 2010-2011 fiscal year. The figures presented below differ from the audited financial statements, as certain items from 2011 were reclassified and only the total reporting entity figures are presented.

	<b><u>Fiscal Years Ended June 30,</u></b>		
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 68,105,014	\$ 64,672,910	\$ 57,664,091
Accounts Receivable	1,940,835	725,259	329,833
Utility Customer Assessments Receivable	2,604,826	2,580,042	2,683,145
Other Assets	194,056	350,302	291,671
Current Portion of Solar Lease Notes	<u>704,032</u>	<u>670,645</u>	<u>611,367</u>
Total Current Assets	<u>73,548,763</u>	<u>68,999,158</u>	<u>61,580,107</u>
Non-Current Assets:			
Portfolio Investments	4,788,094	2,155,525	1,698,715
Solar Lease Notes, Less Current Portion	10,536,136	11,064,879	10,052,176
Renewable Energy Credits	1,217,491	1,324,614	1,429,921
Capital Assets, Net of Depreciation	362,505	91,329	0
Restricted Assets:			
Cash and Cash Equivalents	<u>9,536,656</u>	<u>8,540,684</u>	<u>2,234,945</u>
Total Non-Current Assets	<u>26,440,882</u>	<u>23,177,031</u>	<u>15,415,757</u>
<b>Total Assets</b>	<b><u>\$ 99,989,645</u></b>	<b><u>\$ 92,176,189</u></b>	<b><u>\$ 76,995,864</u></b>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts Payable and Accrued	\$ 1,422,898	\$ 2,624,861	\$ 1,753,874

Expenses			
Deferred Revenue	0	8,363,119	2,000,000
Custodial Liability	393,000	0	0
Due to Fund Administrator	<u>0</u>	<u>0</u>	<u>461,752</u>
<b>Total Liabilities</b>	<u>1,815,898</u>	<u>10,987,980</u>	<u>4,215,626</u>
Net Position			
Invested in Capital Assets	362,505	91,329	0
Restricted Net Position			
Non-expendable	<u>1,000</u>	<u>0</u>	<u>0</u>
Restricted – Energy Programs	8,143,655	176,974	233,875
Unrestricted (Deficit)	<u>89,666,587</u>	<u>80,919,906</u>	<u>72,546,364</u>
<b>Total Net Position</b>	<u>98,173,747</u>	<u>81,188,209</u>	<u>72,780,239</u>
<b>Total Liabilities and Net Assets</b>	<u><b>\$ 99,989,645</b></u>	<u><b>\$ 92,176,189</b></u>	<u><b>\$ 76,995,865</b></u>

During the 2011-2012 fiscal year, cash increased by \$7,008,819 primarily as a result of an increase in grant awards received during the year. During the 2012-2013 fiscal year, cash increased by \$3,432,104 primarily as a result of greater-than-expected proceeds received from Regional Greenhouse Gas Initiative (RGGI) auctions and a reduction in grant activity and CEFIA's transition to a financing model as opposed to a grant model to fund renewable energy and energy efficiency projects.

The former Connecticut Clean Energy Fund invested in emerging technology companies as equity investments and technology innovation programs and projects. As of June 30, 2013, portfolio investments represent equity and debt investments in eleven companies. CEFIA's portfolio investments are managed by CI. In the absence of readily determinable market values, investments are carried at fair value as estimated by the Valuation Committee of CI, using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. As is commonplace with investments such as those held by CEFIA and as disclosed in CEFIA's audited financial statements, those estimated values may differ significantly from the amounts ultimately realized from the investments due to the inherent uncertainty of valuations, and the differences could be material.

A schedule of revenues, expenses and changes in net assets for the fiscal years ended June 30, 2012 and 2013, follows. For comparative purposes, the figures for the Clean Energy Fund, the predecessor entity to CEFIA, are presented for the 2010-2011 fiscal year. The figures presented below differ from the audited financial statements, as certain items from 2011 were reclassified and only the total reporting entity figures are presented.

	<b><u>Fiscal Years Ended June 30,</u></b>		
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Operating Revenues</b>			
Utility Customer Assessments	\$ 27,621,409	\$ 27,025,088	\$ 28,444,062
Grant Revenue	10,035,250	10,435,251	3,808,690
RGGI Auction Income	4,744,657	2,052,748	3,383,276

Other Income	<u>941,777</u>	<u>240,597</u>	<u>191,340</u>
<b>Total Operating Revenue</b>	<b>43,343,093</b>	<b>39,753,684</b>	<b>35,827,368</b>
<b>Operating Expenses</b>			
Grants and Program Expenditures	23,634,465	31,122,355	28,026,088
General and Administrative Expenses	1,811,227	1,387,854	1,435,869
Organizational Expenses	<u>1,180,414</u>	<u>0</u>	<u>0</u>
<b>Total Operating Expenses</b>	<b><u>26,626,106</u></b>	<b><u>32,510,209</u></b>	<b><u>29,461,957</u></b>
<b>Operating Income (Loss)</b>	<b><u>16,716,987</u></b>	<b><u>7,243,475</u></b>	<b><u>6,365,411</u></b>
<b>Non-Operating Income (Expenses)</b>			
Interest on Solar Lease Notes	583,575	589,007	447,251
Interest on Short-Term Investments	103,928	140,786	117,145
Realized Gain (Loss) on Investments	(1,034,605)	0	177,756
Unrealized Gain (Loss) on Investments	<u>378,059</u>	<u>434,702</u>	<u>(58,557)</u>
<b>Total Nonoperating Income (Expenses)</b>	<b><u>30,957</u></b>	<b><u>1,164,495</u></b>	<b><u>683,595</u></b>
<b>Income (Loss) Before Capital Contributions</b>			
Capital Contributions	<u>237,594</u>	<u>0</u>	<u>0</u>
<b>Change in Net Assets Before Extraordinary Item</b>			
Extraordinary Item	16,985,538	8,409,970	7,049,006
<b>Extraordinary Item – Transfer In of Net Assets from the State of CT</b>			
Clean Energy Fund	<u>0</u>	<u>72,780,239</u>	<u>0</u>
<b>Change in Net Position</b>	<b><u>16,985,538</u></b>	<b><u>81,188,209</u></b>	<b><u>7,049,006</u></b>
<b>Net Position – Beginning of year</b>	<b><u>81,188,209</u></b>	<b><u>0</u></b>	<b><u>65,731,233</u></b>
<b>Net Position – End of Year</b>	<b><u>\$ 98,173,747</u></b>	<b><u>\$ 81,188,209</u></b>	<b><u>\$ 72,780,239</u></b>

Grant revenues increased by \$6,626,561 during the 2011-2012 fiscal year due to an increase in federal grant awards.

CEFIA received \$2 million and \$4.7 million from the state in Regional Greenhouse Gas Initiative auction proceeds during the 2011-2012 and 2012-2013 fiscal years, respectively.

Total expenditures for grants and programs during the 2011-2012 fiscal year were \$31,122,355, an increase of \$3,096,267. Total expenditures for grants and programs during the 2012-2013 fiscal year were \$23,634,465, a decrease of \$7,487,890. Grant expenditures fluctuate from year to year, as they are based on the achievement of contract milestones by the grantee. In addition, CEFIA is transitioning to a financing model as opposed to primarily issuing grants to fund renewable energy and energy efficiency programs.

As of June 30, 2012 and 2013, the board of directors designated \$25,846,243 and \$24,486,560 of CEFIA's net position to fund financial incentives for specific commercial and residential projects that are expected to be paid over the next one to six fiscal years. In addition to these commitments, as of June 30, 2013, an additional \$33,842,000 has been designated by the

board to fund programs for which specific commercial and residential projects have not yet been identified.

General and administrative expenses decreased by \$48,015 during the 2011-2012 fiscal year and increased by \$423,373 during 2012-2013 fiscal year. During the 2012-2013 fiscal year, CEFIA also incurred \$1,180,414 in start-up costs to develop its Solar Lease II program and organize the subsidiary that will administer the program, CT Solar Lease II, LLC.

Net gains in program investments increased by \$315,503 during the 2011-2012 fiscal year as a result of adjustments to the valuation of equity and debt investments. The net loss of \$656,546 in investments during the 2012-2013 fiscal year represents write-offs of investments previously reserved for and adjustments to the valuation of equity and debt investments currently held.

CEFIA utilizes the services of CI, as provided for in the General Statutes, for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CEFIA by CI totaled \$1,868,098 and \$880,741 for the years ended June 30, 2012 and 2013, respectively. As of June 30, 2012 and 2013, amounts due to CI were \$94,340 and \$21,396, respectively. During 2012, CI employees responsible for managing CEFIA programs were transferred to CEFIA.

### **Other Examinations**

Independent public accountants audited CEFIA's financial statements for the years under review. Those audits attested that the financial statements presented fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of the Clean Energy Finance and Investment Authority as of June 30, 2012 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants also provided reports on compliance and internal control over financial reporting. These reports disclosed no instances of noncompliance concerning these requirements. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.

Independent public accountants also performed OMB Circular A-133 compliance audits for each of the fiscal years ended June 30, 2012 and 2013. The independent public accountants' reports on compliance and other matters indicated no reportable instances of noncompliance. Their reports on internal control over financial reporting indicated no material weaknesses. However, their report for the 2012-2013 fiscal year disclosed one internal control deficiency over federal reporting. The amount of contractual outlays reported on a federal financial report for the quarter ended June 30, 2013, was misstated by \$400,050 due to a clerical error.

## STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our audit identified the following reportable conditions.

### **Administration of Compensatory Time**

<i>Criteria:</i>	CEFIA's employee handbook states that the president or a designee may grant compensatory time for extra time worked by exempt employees. The exempt employee must receive written authorization in advance from the president or a designee to work extra time in order to record the extra hours as compensatory time. The amount of extra time worked must be significant in terms of total and duration and occur on weekends or state holidays.
<i>Condition:</i>	Our review of 47 instances of compensatory time disclosed that in 15 instances, the employee did not obtain prior written approval to earn compensatory time, and in another 15 instances, compensatory time was earned on a day that was not a weekend or holiday.
<i>Effect:</i>	The authority was not in compliance with its compensatory time policies.
<i>Cause:</i>	Management did not ensure that the authority's compensatory time policies were followed.
<i>Recommendation:</i>	The Clean Energy Finance and Investment Authority should strengthen controls to ensure compliance with the compensatory time policies set forth in its employee handbook. (See Recommendation 1.)
<i>Agency Response:</i>	<p>"CEFIA has taken the following actions to ensure compliance with its compensatory time policies:</p> <ul style="list-style-type: none"><li>- The CEFIA human resources department has reviewed the current compensatory time policy with all supervisory staff.</li><li>- CEFIA has implemented the following procedure pertaining to the processing of compensatory time requests by staff:</li></ul> <p>Staff must obtain approval in advance from their direct supervisor and the Chief of Staff to work extra hours and receive compensatory time. Evidence of such advanced approval must be forwarded along with the request for compensatory time to the human resources department for processing. If evidence of this advance approval is not submitted with the request for compensatory time, the request will not be processed. "</p>

## **Statutory Noncompliance with the Awarding of Contracts**

<i>Criteria:</i>	<p>CEFIA's operating procedures require that any solicitation of bids or proposals by the authority, and any award of a contract by the authority, shall be subject to all state procurement and contracting requirements applicable to quasi-public agencies of the state.</p> <p>Section 31-57b of the General Statutes requires that no contract shall be awarded by the state or any of its political subdivisions to any vendor which has been cited for certain violations of the occupational safety and health act during the three-year period preceding the bid.</p> <p>Section 4a-81 of the General Statutes requires that no state or quasi-public agency shall execute a contract with a value of \$50,000 or more in any calendar or fiscal year, unless the agency obtains affidavits attesting as to whether any consulting agreement has been entered into in connection with such contract.</p> <p>Section 9-612 subsection (g)(2) D of the General Statutes requires that no state or quasi-public agency shall award a contract having a value of \$50,000 or more to a contractor who makes or solicits a campaign contribution as prohibited under Section 9-612 subsection (g)(2)A or B for one year after the election for which the contribution is made or solicited.</p> <p>Section 4a-60a requires that, for all contracts with the state or a political subdivision of the state with a value of \$50,000 or more, the contractor shall provide a non-discrimination affidavit.</p>
<i>Condition:</i>	<p>Our review of 15 personal service agreements in effect during the fiscal years ended June 30, 2012 and 2013 disclosed the following:</p> <ul style="list-style-type: none"><li>• Seven agreements did not include provisions ensuring that the consultant had not been cited for occupational safety and health act violations.</li><li>• Ten contracts over \$50,000 did not include campaign contribution or consulting agreement affidavits. We noted that the ten contracts did include a notice on campaign contributions and four included language regarding consulting agreements.</li><li>• One contract did not include a signed non-discrimination affidavit.</li></ul>
<i>Effect:</i>	<p>There is non-compliance with the General Statutes and the authority's operating procedures.</p>
<i>Cause:</i>	<p>CEFIA did not have adequate controls in place.</p>

*Recommendation:* The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure that contracts include all provisions required by the General Statutes. (See Recommendation 2.)

*Agency Response:* “CEFIA did not have the occupational safety and health act (OSHA) or the consulting language in our model PSAs prior to the May 2012 contract version (v. 051612). We are pleased to report that this was remedied back in 2012 and that all of our model PSAs and agreements subsequent to then have included the OSHA provision. Based on this audit, CEFIA has revised the consulting language in our model agreements by adding an affidavit. We have also updated the campaign contribution affidavit and performed a thorough review of all state contracting forms in our model agreements based on these findings. ”

### **Untimely Reporting**

*Criteria:* Section 1-123 subsection (a) of the General Statutes requires the board of directors of each quasi-public agency to annually submit a report to the Governor, the Auditors of Public Accounts, and the Legislative Program Review and Investigations Committee.

Section 1-123 subsection (b) of the General Statutes requires that, for the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a financial report to the legislature’s Office of Fiscal Analysis.

Section 1-123 subsection (c) of the General Statutes requires that, for the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a personnel status report to the legislature’s Office of Fiscal Analysis.

Section 16-245aa subsection (d) of the General Statutes requires that on January 1, 2013, and annually thereafter, CEFIA shall report on the effectiveness of the Renewable Energy and Efficient Energy Finance program to the joint standing committee of the General Assembly having cognizance over matters relating to energy.

*Condition:* Our review disclosed that the Clean Energy Finance and Investment Authority did not submit the following reports for the fiscal years ended June 30, 2012 and 2013 in a timely manner:

- Four quarterly financial reports.
- Seven of eight quarterly personnel status reports;
- Report on the effectiveness of the Renewable Energy and Efficient Energy Finance Program.

- The annual report, which included information for both fiscal years 2012 and 2013, was submitted in June 2014, after this reporting requirement was brought to the authority's attention by the auditor.

*Effect:* There is non-compliance with the statutory reporting requirement timeframes.

*Cause:* CEFIA did not have adequate internal controls in place.

*Recommendation:* The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes. (See Recommendation 3.)

*Agency Response:* "CEFIA has implemented the following procedures to strengthen its internal controls to ensure compliance with statutory reporting requirements:

- CEFIA has assigned the overall responsibility of managing the data collection, development and timely submission of all required statutory reports to the Vice President and Chief Operating Officer.
- CEFIA will develop a schedule of due dates for each report mentioned in the audit finding and has assigned the following members of its management team the responsibility of submitting specific reports on the assigned due date:

Section 1-123 subsection (a) report – Chief Legal Officer

Section 1-123 subsection (b) report – Vice President, Finance and Administration

Section 1-123 subsection (c) report – Vice President, Human Resources

Section 16-245aa subsection (d) report – Chief Legal Officer

- CEFIA will include these responsibilities as an annual performance goal for each individual assigned to submit these reports on a timely basis."



## RECOMMENDATIONS

### *Status of Prior Audit Recommendations:*

- There were no prior audit recommendations in the audit of Connecticut Innovations, Incorporated that were related to the Clean Energy Fund.

### *Current Audit Recommendations:*

- 1. The Clean Energy Finance and Investment Authority should strengthen controls to ensure compliance with the compensatory time policies set forth in its employee handbook.**

Comment:

Our review of 47 instances of compensatory time disclosed that in 15 instances, the employee did not obtain prior written approval to earn compensatory time, and in another 15 instances, compensatory time was earned on a day that was not a weekend or holiday.

- 2. The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure that contracts include all provisions required by the General Statutes.**

Comment:

Our review disclosed that several contracts did not include all of the provisions required by the general statutes.

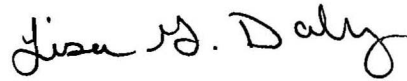
- 3. The Clean Energy Finance and Investment Authority should strengthen internal controls to ensure compliance with reporting requirements as prescribed by the Connecticut General Statutes.**

Comment:

Our review disclosed that several reports were not filed in a timely manner.

**CONCLUSION**

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Clean Energy Finance and Investment Authority during the course of our examination.



Lisa G. Daly  
Administrative Auditor

Approved:



John C. Geragosian  
Auditor of Public Accounts



Robert M. Ward  
Auditor of Public Accounts

- I. CERTIFICATION OR AFFIDAVIT REGARDING NONDISCRIMINATION AND AFFIRMATIVE ACTION PROVISIONS - Applicable to all contracts. (Conn Gen. Stat. §§ 4a-60 and 4a-60a)**
- II. CERTIFICATION REGARDING OCCUPATIONAL SAFETY AND HEALTH ACT COMPLIANCE - Applicable to all contracts. (Conn. Gen. Stat. § 31-57b)**
- III. CERTIFICATION REGARDING CAMPAIGN CONTRIBUTIONS - Applicable to certain contracts valued at \$50,000 or more, or a combination or series of such contracts valued at \$100,000 or more in a calendar year. (Conn. Gen. Stat. § 9-612)**
- IV. AFFIDAVIT REGARDING CONSULTING AGREEMENTS - Applicable to certain contracts valued at \$50,000 or more in any calendar or fiscal year. (Conn. Gen. Stat. § 4a-81)**

**I. CERTIFICATION OR AFFIDAVIT REGARDING NONDISCRIMINATION AND AFFIRMATIVE ACTION PROVISIONS (Conn Gen. Stat. §§ 4a-60 and 4a-60a)**

**CHECK ONE:**    ☐ Initial Certification        ☐ Change of Certification        ☐ 12-Month Anniversary Update  
(Multi-year contracts only)

**For contracts valued at \$50,000 or more for any year of the contract:**

**CHECK ONE**

☐ I hereby certify the following is a true and correct copy of the resolution adopted on \_\_\_\_\_, 20\_\_ by Contractor's governing body in accordance with all of its documents of governance and management and the laws of the \_\_\_\_\_, and further certify that such resolution has not been modified, rescinded or revoked, and is, at present, in full force and effect:

**RESOLVED: That \_\_\_\_\_, hereby adopts as its policy the nondiscrimination agreements and warranties required under Connecticut General Statutes §§ 4a-60(a)(1) and 4a-60a(a)(1), as amended.**

In witness whereof, the undersigned has executed this certificate the day and date indicated below.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**OR**

☐ I hereby certify that a prior resolution adopted by Contractor's governing body and provided to CI, and that complies with the nondiscrimination agreements and warranties of Conn. Gen. Stat. §§ 4a-60(a)(1) and 4a-60a(a)(1), as amended, remains in full force and effect on the date this documentation is submitted to CI.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**(This next section is for execution by Green Bank where Contractor supplies a prior resolution regarding nondiscrimination)**

I, the undersigned head of Green Bank, or designee, certify that the attached prior resolution of Contractor complies with the nondiscrimination agreements and warranties of Conn. Gen. Stat. §§ 4a-60(a)(1) and 4a-60a(a)(1), as amended.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

**OR**

☐ I am over the age of eighteen (18) and understand and appreciate the meaning of an oath. I hereby certify under penalty of false statement that I am duly authorized to adopt company or corporate policy for Contractor and that Contractor has a policy in effect that complies with the nondiscrimination agreements and warranties of Conn. Gen. Stat. §§ 4a-60(a)(1) and 4a-60a(a)(1), as amended.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Subscribed and sworn to before me, this \_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Commissioner of the Superior Court  
(or Notary Public)

**II. CERTIFICATION REGARDING OCCUPATIONAL SAFETY AND HEALTH ACT COMPLIANCE (Conn. Gen. Stat. § 31-57b)**

I hereby certify that Contractor (1) has not been cited for three or more willful or serious violations of any occupational safety and health act or of any standard, order or regulation promulgated pursuant to such act, during the three-year period preceding the date of the bid/RFP/solicitation, provided such violations were cited in accordance with the provisions of any state occupational safety and health act or the Occupational Safety and Health Act of 1970, and not abated within the time fixed by the citation and such citation has not been set aside following appeal to the appropriate agency or court having jurisdiction or (2) has not received one or more criminal convictions related to the injury or death of any employee in the three-year period preceding the date of the bid/RFP/solicitation.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**III. CERTIFICATION REGARDING CAMPAIGN CONTRIBUTIONS (Conn. Gen. Stat. § 9-612)**

**For certain contracts valued at \$50,000 or more, or a combination or series of contracts valued at \$100,000 or more in a calendar year**

I certify that neither Contractor nor any of its principals, as defined in Conn. Gen. Stat. § 9-612(f)(1), with regard to the Contract or the Contract solicitation, has made any campaign contributions to, or, on or after January 1, 2011, knowingly solicited any contributions on behalf of, (i) an exploratory committee or candidate committee established by a candidate for nomination or election to the office of Governor, Lieutenant Governor, Attorney General, State Comptroller, Secretary of the State or State Treasurer, (ii) a political committee authorized to make contributions or expenditures to or for the benefit of such candidates, or (iii) a party committee, in violation of Conn. Gen. Stat. § 9-612(f)(2)(A).

I further certify that neither Contractor nor any of its principals, as defined in Conn. Gen. Stat. § 9-612(f)(1), with regard to a state contract or a state contract solicitation with or from the General Assembly, has made any campaign contributions to, or, on or after January 1, 2011, knowingly solicited any contributions on behalf of, (i) an exploratory committee or candidate committee established by a candidate for nomination or election to the office of state senator or state representative, (ii) a political committee authorized to make contributions or expenditures to or for the benefit of such candidates, or (iii) a party committee, in violation of Conn. Gen. Stat. § 9-612(f)(2)(B).

I further certify that all lawful campaign contributions that have been made on or after December 31, 2006 by Contractor or any of its principals, as defined in Conn. Gen. Stat. § 9-612(f)(1), to, or solicited on behalf of, any exploratory committee, candidate committee, political committee, or party committee established by, or supporting or authorized to support any candidates for statewide public office or the General Assembly, are listed below:

**Lawful Campaign Contributions to Candidates for Statewide Public Office:**

<u>Contribution Date</u>	<u>Name of Contributor</u>	<u>Recipient</u>	<u>Value</u>	<u>Description</u>

**Lawful Campaign Contributions to Candidates for the General Assembly:**

<u>Contribution Date</u>	<u>Name of Contributor</u>	<u>Recipient</u>	<u>Value</u>	<u>Description</u>

I further acknowledge receipt of SEEC Form 11, Notice to Executive Branch State Contractors and Prospective State Contractors of Campaign Contributions and Solicitation Limitations attached as Exhibit 1 hereto.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

**IV. AFFIDAVIT REGARDING CONSULTING AGREEMENTS (Conn. Gen. Stat. § 4a-81)**

**For contracts valued at \$50,000 or more in any calendar or fiscal year**

Contractor hereby swears and attests as true to the best knowledge and belief of the person signing below that no consulting agreement, as defined in Conn. Gen. Stat. § 4a-81, has been entered into in connection with the Contract.

Contractor agrees to amend this affidavit if and when any consulting agreement is entered into during the term of the Contract, as set forth in Conn. Gen. Stat. § 4a-81(b)(4).

Sworn as true to the best of my knowledge and belief, subject to the penalties of false statement.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Subscribed and sworn to before me, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Commissioner of the Superior Court  
(or Notary Public)

**OR**

**I.** Contractor hereby swears and attests as true to the best knowledge and belief of the person signing below that it has entered into the following consulting agreement(s), as defined in Conn. Gen. Stat. § 4a-81:

\_\_\_\_\_  
Consultant's Name and Title

\_\_\_\_\_  
Name of Firm (if applicable)

\_\_\_\_\_  
Start Date

\_\_\_\_\_  
End Date

\_\_\_\_\_  
Cost of Consulting Agreement

Description of Services Provided: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Is the Consultant a former State employee or former public official? ☐ YES ☐ NO

If Yes: \_\_\_\_\_  
Name of Former State Agency

\_\_\_\_\_  
Termination Date of Employment

**II.** Contractor agrees to amend this affidavit if and when any other consulting agreement is entered into during the term of the Contract, as set forth in Conn. Gen. Stat. § 4a-81(b)(4).

Sworn as true to the best of my knowledge and belief, subject to the penalties of false statement.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Subscribed and sworn to before me, this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Commissioner of the Superior Court  
(or Notary Public)



CEFIA  
QUARTERLY PERSONNEL STATUS REPORT  
**JULY 1, 2014 – SEPTEMBER 30, 2014**  
FOR THE OFFICE OF FISCAL ANALYSIS  
AS REQUIRED BY PUBLIC ACT 10-143

(1) The total number of employees by the end of the quarter;

**41 Employees**

(2) the positions vacated and the positions filled by the end of the quarter;

**Seven (7) positions vacated, Nine (9) positions filled**

(3) the positions estimated to be vacant and the positions estimated to be filled at the end of the fiscal year.

**Estimated Vacant Positions 0, Estimated Filled Positions 45**

***House Bill No. 5392***

***Public Act No. 10-143***

***AN ACT CONCERNING NONAPPROPRIATED FUNDS AND PERSONNEL  
STATUS REPORTS BY QUASI-PUBLIC AGENCIES.***

(c) For the quarter commencing July 1, 2010, and for each quarter thereafter, the board of directors of each quasi-public agency shall submit a personnel status report to the Office of Fiscal Analysis. Such report shall include, but not be limited to: (1) The total number of employees by the end of the quarter; (2) the positions vacated and the positions filled by the end of the quarter; and (3) the positions estimated to be vacant and the positions estimated to be filled at the end of the fiscal year.

Approved June 8, 2010

**CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY**  
Section 1-123 (b) Quarterly Report - Submitted to the Office of Fiscal Analysis

FISCAL YEAR 2014

**FOR THE PERIOD ENDED DECEMBER 31, 2013**

Primary Government									
	CEFA	CEFA Solar Loan I LLC	CEFA Holdings LLC	Eliminating Entries	Total	CT Solar Lease 2 LLC	CEFA Solar Services Inc.	Eliminating Entries	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Utility ratepayer assessments	\$ 14,414,127	-	-	-	\$ 14,414,127	-	-	-	14,414,127
Grants	348,520	-	-	-	348,520	-	-	-	348,520
RG/GI proceeds	3,646,014	-	-	-	3,646,014	-	-	-	3,646,014
Other income	400,542	-	-	-	400,542	-	-	-	400,542
Grant and program expenditures	(9,994,954)	(5,758)	(27,160)	-	(10,027,871)	38,974	(10,627)	-	(9,999,524)
General and administrative expenditures	(1,077,361)	-	-	-	(1,077,361)	-	-	-	(1,077,361)
Net cash provided by (used in) operating activities	7,736,888	(5,758)	(27,160)	-	7,703,971	38,974	(10,627)	-	7,732,318
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>									
Transfers to State of Connecticut	(2,583,335)	-	-	-	(2,583,335)	-	-	-	(2,583,335)
Advances to primary government and component units	(271,389)	-	(121,239)	345,239	(47,389)	-	-	47,389	-
Advances from primary government and component units	-	173,850	171,389	(345,239)	-	-	11,000	(11,000)	-
Net cash provided by noncapital financing activities	(2,854,724)	173,850	50,150	(0)	(2,630,724)	-	11,000	36,389	(2,583,335)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>									
Purchase of capital assets	(24,697)	-	-	-	(24,697)	-	-	-	(24,697)
Capital Contributions Component Entities	-	-	-	-	-	36,389	-	(36,389)	-
Capital Contribution Firstar Development, LLC	-	-	-	-	-	-	-	-	-
Net cash provided by (used in) capital and related financing activities	(24,697)	-	-	-	(24,697)	36,389	-	(36,389)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
Interest on short-term investments, cash deposits and solar lease notes and solar loans	112,099	2,721	-	-	114,819	4,419	-	-	119,239
Return of principal on investments	341,621	1,813	-	-	343,434	-	-	-	343,434
AD/CHP program loan disbursements	(150,000)	-	-	-	(150,000)	-	-	-	(150,000)
Alpha/Operational Demo program loan disbursements	(325,000)	-	-	-	(325,000)	-	-	-	(325,000)
CPACE program loan disbursements	(1,786,901)	-	-	-	(1,786,901)	-	-	-	(1,786,901)
Energy Efficiency program loan disbursements	(75,000)	-	-	-	(75,000)	-	-	-	(75,000)
GreenerU/Campus Efficiency program loan disbursements	(2,375,000)	-	-	-	(2,375,000)	-	-	-	(2,375,000)
Grid Tied program loan disbursements	-	-	-	-	-	(108,095)	-	-	(108,095)
Residential Solar Lease program disbursements	-	(172,266)	-	-	(172,266)	-	-	-	(172,266)
Residential Solar Loan program disbursements	-	(167,732)	-	-	(167,732)	-	-	-	(167,732)
Net cash provided by noncapital financing activities	(4,258,182)	(167,732)	-	-	(4,425,914)	(103,676)	-	-	(4,529,590)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	599,286	359	22,990	(0)	622,636	(28,312)	373	0	594,697
<b>CASH, July 1, 2013</b>	72,656,086	54,342	24,786	-	72,735,214	4,906,456	-	-	77,641,670
<b>CASH, December 31, 2013 before restricted cash and future transfers to State of CT:</b>	\$ 73,255,372	54,701	47,776	(0)	\$ 73,357,850	\$ 4,878,144	\$ 373	\$ 0	\$ 78,236,367
<b>CASH, Restricted Federal, State and Private Foundation grant funds:</b>	(5,046,823)	-	-	-	(5,046,823)	(4,500,000)	-	-	(9,546,823)
<b>Remaining transfers to be made to State of Connecticut Treasurer</b>	(3,616,665)	-	-	-	(3,616,665)	-	-	-	(3,616,665)
<b>CASH, December 31, 2013 before unfunded commitments/ Board allocations/cash needed for ops:</b>	64,591,884	54,701	47,776	(0)	64,694,362	378,144	373	0	65,072,879
<b>Unfunded financial incentives for specific commercial &amp; residential projects:</b>	(45,366,000)	-	-	-	(45,366,000)	-	-	-	(45,366,000)
<b>Board approved allocations of unrestricted cash to fund on going programs &amp; projects:</b>	(34,780,000)	-	-	-	(34,780,000)	-	-	-	(34,780,000)
<b>Projected cash (needed)/ generated for/operations through fiscal year end:</b>	9,280,400	-	-	-	9,280,400	-	-	-	9,280,400
<b>CASH, December 31, 2013 after restrictions/unfunded commitments/Board allocations/operations:</b>	(6,273,716)	54,701	47,776	(0)	(6,171,238)	378,144	373	0	(5,792,721)



**CLEAN ENERGY**  
**FINANCE AND INVESTMENT AUTHORITY**

845 Brook Street  
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor  
Stamford, Connecticut 06901

T: 860.563.0015  
F: 860.563.4877  
www.ctcleanenergy.com

# Memo

**To:** Board of Directors of the Clean Energy Finance and Investment Authority

**From:** Dale Hedman (Director of Statutory and Infrastructure Programs)

**Cc:** Bryan Garcia (President and CEO)

**Date:** November 25, 2014

**Re:** Residential Solar Investment Program – Step 6

The August 20, 2014 revised due diligence package for the Residential Solar Investment Program (RSIP), contains thorough background information and due diligence on the market and program. This memo should be considered an addendum to that package proposing, which proposes a transition from the board-approved Step 5 to a request for approval of Step 6.

## Background

On March 2, 2012, the Connecticut Green Bank launched the RSIP. Per Section 106 of Public Act 11-80 (now codified at Connecticut General Statute Sec. 16-245ff), the RSIP requires that a minimum of 30 MW of new residential solar PV be installed in Connecticut on or before December 31, 2022, at a reasonable payback to the customer all the while developing a sustainable market for contractors. The RSIP provides to residential customers, via solar PV contractors, direct financial incentives in the form of a home ownership performance based incentive (“HOPBI”, and previously an expected performance-based buydown or “EPBB”) and a performance-based incentive (“PBI”) for the purchase and/or lease of qualifying PV systems respectively.

To date, through the RSIP, we have approved, in progress, and completed over 50 megawatts of projects while reducing the level of subsidies through five steps – see Table 1.

**Table 1. Installed Capacity by Step for Approved, In Progress, or Completed Projects (as of November 21, 2014)**

<b>RSIP Incentive Step</b>	<b>Approved (kW)</b>	<b>In Progress (kW)</b>	<b>Completed (kW)</b>	<b>Total (kW)</b>	<b>Average Incentive (\$/W<sub>STC</sub>)</b>
Step 1	-	32	1,148	1,180	\$1.78
Step 2	-	161	6,037	6,198	\$1.64
Step 3	1,108	2,438	10,121	13,667	\$1.23
Step 4	13,711	2,420	5,571	21,702	\$1.04

Step 5	7,281	97	27	7,404	\$0.84
<b>Total</b>	<b>22,100</b>	<b>5,148</b>	<b>22,904</b>	<b>50,152</b>	<b>\$1.19</b>

The investment of over \$220 million in residential solar PV in Connecticut through the RSIP, has created over 3,400 job-years (i.e., 1,304 direct and 2,100 indirect and induced) and will reduce nearly 620,000 tons of CO<sub>2</sub> emissions.

For Step 5 of the RSIP, a “race to the rooftop” target of 10 megawatts or by June 30, 2015, whichever comes sooner was established. We anticipate that 10 megawatts of approved projects for Step 5 will occur in December of 2014. To ensure an orderly, timely and less costly transition, we are proposing that on January 1, 2015 we transition from Step 5 to Step 6 of the RSIP.

## Request

The staff proposes the following incentive for Step 6 of the RSIP:

- **Race to the Solar Rooftop** –The total capacity target for Step 6 is 10.0 MW – by June 30, 2015, whichever comes sooner.
- **Incentive Level** – we are proposing approximately an [X%] reduction of Step 5 incentive levels to Step 6 incentive levels – see Table 2.

Table 2. Declining Incentives through the RSIP

RSIP Incentive Step	HOPBI-EPBB (\$/W <sub>STC</sub> )			PBI (\$/kWh)	
	≤5 kW	5 to 10 kW	>10 kW	≤10 kW	>10 kW
Step 1	\$2.450	\$1.250	\$0.000	\$0.300	\$0.000
Step 2	\$2.275	\$1.075	\$0.000	\$0.300	\$0.000
Step 3	\$1.750	\$0.550	\$0.000	\$0.225	\$0.000
Step 4	\$1.250	\$0.750	\$0.000	\$0.180	\$0.000
Step 5	\$0.800		\$0.400	\$0.125	\$0.060
Step 6					

## Public Policy

For the 2015 legislative session, the Connecticut Green Bank is proposing the “Solar Homes and Jobs Opportunity Act,” which seeks to develop a Solar Home Renewable Energy Credit (SHREC) program to continue the growth of the RSIP. The SHREC will be similar to the Low Emission Renewable Energy Credit (LREC) and Zero Emission Renewable Energy Credit (ZREC) Programs as it creates a fifteen year revenue stream from the sale of the SHRECs to the non-municipal utilities (i.e., CL&P and UI). The SHREC provides a cost effective mechanism to deploy clean energy in the state through an established price ceiling – the Alternative Compliance Payment of the RPS of \$55 – and a declining block schedule. The SHREC will support renewable projects, foster the sustained, orderly development of a state-based solar industry and create jobs all in Connecticut.

It should be noted, that as part of his campaign, Governor Malloy's energy infrastructure policies included:<sup>1</sup>

- **RSIP Expansion** – a 10-time expansion of the of the 30 MW target to 300 MW by 2020 through the use of long-term contracts for the non-municipal utilities to purchase renewable energy credits; and
- **Increased Capitalization** – increase in the capital to the Connecticut Green Bank through collaborations with the Treasurer's Office to issue "green bonds" to provide upfront capital to finance long-term green energy producing assets.

The staff of the Connecticut Green Bank has met with the following stakeholders on the act being proposed:

- **Industry Groups** – Solar Connecticut, Renewable Energy and Efficiency Business Association (REEBA), and the Connecticut Business and Industry Association (CBIA);
- **Government Organizations** – Department of Energy and Environmental Protection and Office of Consumer Counsel; and
- **Utilities** – Connecticut Light & Power and United Illuminating.

In the coming month, we are planning on meeting with environmental organizations (i.e., Acadia Center, Connecticut Fund for the Environment, Clean Water Action, Environment Connecticut, and the Sierra Club) and key leaders of the legislature.

It should be noted, that at Step 5, the RSIP subsidy is equivalent to a SHREC price of \$50 – or 10% below the ACP of the Class I RPS. For Step 6, we are proposing an RSIP subsidy that is equivalent to a SHREC price of \$40 – or 30% below the ACP of the Class I RPS.

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## Resolution

**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 November 21, 2014, the Program has thus far resulted in approximately fifty 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;

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<sup>1</sup> <http://www.danmalloy2014.com/energy-and-environment/>

**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 November 25, 2014 to achieve 10.0 MW of solar PV deployment;

**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 7 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.