



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

Friday, January 26, 2018
9:00-11:00 a.m.

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on January 26, 2018 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

Commissioner Smith called the meeting to order at 9:02 am. Board members participating: Catherine Smith, Rob Klee, Bettina Bronisz, Eric Brown, John Harrity, Gina McCarthy, Reed Hundt (by phone), Betsy Crum (by phone), Tom Flynn (by phone) and Matt Ranelli (by phone).

Members Absent: Kevin Walsh

Staff Attending: George Bellas, Mackey Dykes, Brian Farnen, Bryan Garcia, Dale Hedman, Bert Hunter, Kerry O’Neill, Eric Shrago, Cheryl Samuels, Kim Stevenson, Mike Yu (by phone), Ben Healey (by phone) Nicholas Zuba (by phone), Jane Murphy, Catherine Duncan, Alex Kovtunencko, Anthony Clark, Joe Buonannata, Chris Magalhaes (by phone) and Tyler Magnano.

2. Public Comments – 5 minutes

There were no public comments.

3. Consent Agenda* – 5 minutes

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for December 15, 2017. – No discussion. Resolution #1 – John Harrity moves, Gina McCarthy seconds. Unanimous approval.

4. Incentive Business – RSIP/SHREC

SHREC Update Bryan Garcia provided an overview of the Sustainability Plan approved by the Board of Directors at the December 15, 2017 meeting. He stressed that as the CGB operationalizes the plan, that the first priority area of focus is the incentive business where it will be necessary to securitize SHRECs in order to assist with the cash flow management of the organization. Mike Yu provided an overview of the SHREC securitization. Mike Yu continued with a summary of the 2 concurrent RFPs that are

open, one that is for underwriters (proposals due February 2nd, 2018) and the other for independent engineers (proposals due January 29th, 2018). Mike added that CGB has strong proposals coming in from many of the engineers. Mike explained that for internal data management CGB has completed migration of Powerclerk 1 and 2 systems to Solar Anywhere. He added that there would be continued review of the cost model.

Bert Hunter added, this is a big team effort – finance team, Eric Shrago, Brian Farnen, Dale Hedman, George Bellas; CGB has seen great progress made. He explained that there are potential partners with lots of international interest, noting financial institutions from France, Australia, the Netherlands, Korea and Switzerland expected to submit bids and observing that this is evidence that people around the globe are noticing the CGB.

Commissioner Smith questioned the securitization dependent on systems upgrades to make that data available. Eric Shrago confirmed that the green bank is streamlining the data warehouse currently and making progress. Commissioner Smith asked what the timeline for getting securitization in place would be. Bert Hunter explained it would depend on which is better for the green bank to select – a private placement would be faster, but a public markets issuance could stretch the process into August or September. He noted that a bridge facility would be needed if the process isn't concluded until late summer. Commissioner Smith wanted to ensure that all the dependencies are thought through to confirm timing. Bert Hunter responded, absolutely. Bettina Bronisz asked if the CGB is going to be selling Green Bonds. Bert Hunter answered that it depends on applications – and that the potential for a green bond certification is there. To another question from on term, he responded that the maximum term generally would be 15 years, but that for the initial issue since we have less than 15 years to go on the underlying contract with the utilities, the term would be a year or so less. Matt Ranelli asked if there was a SHREC update report. Commissioner Smith responded, no, just the slides. Commissioner Smith added the board will be watching with great interest and expressed thanks to Bert and entire team. Bert Hunter explained that the staff will update Board leadership throughout the process and that updates to the entire board would flow from there.

5. Investment Business – Clean Energy Finance

a. C-PACE Transaction – Middlefield

Bryan Garcia set additional context for the implementation of the Sustainability Plan and discussed the investment business of the CGB which focuses on clean energy finance, with the focus on achieving cash flows from investments that deliver a 5 percent return based on a 10-year maturity term generating revenues to the CGB while lowering operating expenses to break-even point within 4-7 years.

Mackey Dykes presented two C-PACE deals. The first is a 20-year 6.25% solar PV project in Middlefield, CT at Powder Ridge ski lodge. Mackey explained that there are non-standard issues with the project, specifically the size makes it a bit riskier (just under 1 MW). Mackey added that the project scaled back, almost in half, and that although this is a new business (purchased in 2013) staff had obtained a guarantee from parent company (Brownstone), who has been in business much longer and has a very successful recreation business. Mackey clarified that this special use of the property (skiing and recreation) could be an issue if foreclosed.

John Harrity questioned how the new tariff on solar panels would impact this. Mackey

Dykes explained that CGB believes the contractor has secured all the equipment but will investigate and report back. Commissioner Smith asked Mackey what he thought about the issue generally. Bryan Garcia explained that on the residential side CGB asked Solar CT about the tariff and they thought minimal change on the residential solar side would be seen (i.e., about \$0.10-\$0.15 per installed watt), and that we would see a bigger impact on C&I and utility scale. Dale added that many American solar companies expected this tariff and were able factor it into pricing already. Mackey Dykes confirmed that there was more worry on the C&I side because of the reduction of tax rate and expiration of ZREC.

Matt Ranelli questioned if this would be positive cash flows every year and Mackey confirmed this. Commissioner Smith asked if there was a loan loss reserve. Bert Hunter said there indeed was, meaning that the Green Bank establishes a provision for loan loss against all of our investments.

Mackey Dykes proposed an edit to the resolution, stating that typically there is a 120-day cap on approval; and he wanted to ask for 180 days because there is an SBA loan and needed to obtain consent for it, which would be the first time doing that. Mackey Dykes then thanked the team, acknowledged that they have been working on this project for 2 years.

Gina McCarthy noted that investing in clean energy that produces snow for ski resorts given the state of climate change in New England was something to be conscious of. Commissioner Smith noted that the business on the property also includes year-round outdoor activity but noted that Gina McCarthy's point was an important one to raise to the staff.

Commissioner Klee moves, John Harrity seconds. Unanimous approval

Mackey presented a second CPACE transaction, for 6 Shaws Cove in New London.

Matt Ranelli said that there are a few years of a small amount of negative cash flow. He questioned if CGB should offer projects to sculpt the PACE payment to have all positive years. Mackey responded that the team didn't do it on this one, but we can go back to the property owner - if they are interested. Mackey and Matt agreed that on a go-forward basis, CGB will investigate this question. Commissioner Klee moves and John Harrity seconded.

Anthony Clark discussed C-PACE New Construction Guidelines. He explained that many might recall that CGB was able to pass C-PACE legislation last session that allows for new construction projects to be allowed access to the C-PACE benefit assessment. He continued, the CGB is proposing to draft guidelines that will need to go through public comment through the Connecticut Law Journal. He added that CGB has several projects in the pipeline that want to use C-PACE financing that we are looking to close in the spring.

Anthony Clark proposed a 2-year pilot to evolve CPACE, regarding the new construction guidelines. Anthony stated that CT benefits from being able to follow the lead of other states who already have this. Anthony encouraged not waiting on a retrofit opportunity, but rather getting the property better from the start; he confirmed that there are already a few potential projects in the pipeline and that pilot methodology is not the standard SIR calculation. Anthony clarified that maximum CPACE financing allowed is \$1.5M.

Matt Ranelli asked if Anthony Clark looked at the state high performance building code. Matt recommended modeling software and questioned why we are only looking for 10% better than baseline. Anthony responded, that he did speak with DEEP about the software and that there are 4-5 software options recognized as valid in the space. Anthony explained that using a percentage above code gets very challenging as codes change. Commissioner Klee added that he felt this is very interesting and exciting. Commissioner Klee asked if the green bank has broad enough authority under CPACE statute to do this and questioned for new construction, if there is an evaluated the risk pool. Brian Farnen explained the Green Bank received greater clarity last legislative session that CGB does have authority to do new construction.

Commissioner Smith asked if this is more like a traditional bank, pay as you go rather than all upfront financing and underwriting guidelines. Anthony Clark responded that that was correct, and it would require a 30-day public review period for the change. Mackey Dykes added that this is our administrator hat; where we are providing more technical framework and that this would open opportunity for the green bank to do new construction through CPACE lending.

Anthony responded that it is an exciting new market opportunity. Gina McCarthy asked about portfolio managers and encouraged the movement of models and standards forward. Anthony Clark expressed that it is a good thing to look at during the 2-year pilot. John Harrity and Betsy Crum add support for the pilot; Betsy added that she's been looking forward to this opportunity for some time. Matt Ranelli responded that he thinks the goal should be above 10%. Anthony Clark explained that the green bank is already seeing that the initial interest might be over 10%; following the lead of other states with the 10%. Commissioner Smith explained that she is cognizant of the risk and is excited. Commissioner Klee moves and John Harrity seconded. Unanimous approval.

Bert Hunter introduced the next matter before the Board, stating that the project, a fuel cell in Danbury, was previously approved by the Board, but noted that as Chris Magalhaes will explain, staff needs additional time to finalize the financing and that due to the budget sweep of Green Bank funds, staff has been working with another investor to share the funding for the transaction. Chris Magalhaes discussed the 3.7 MW fuel cell located at 64 Triangle Street, Danbury, CT. Chris explained that this is a \$14 million project that would be manufactured, owned, operated, and maintained by FCE. Chris added that this would create 30 direct/indirect local jobs, with an expected \$700,000 system sales tax revenue to the state, and up to 1 million dollars in property tax revenue over 20 years to the city of Danbury. Chris continued that this project involves a high efficiency fuel cell that can achieve up to 60% electric power generation system efficiency (compared with 47% in previous configurations).

Chris Magalhaes discussed the financial summary for the Triangle Street Credit Facility. Chris explained that as our funding will go in after completion of the project, there would be no construction risk, there would be unconditional FCE payment and performance guaranty, and first priority perfected lien on all property assets and cash flows. He added that there would be \$3 million cash collateral available in year 8+ from the Bridgeport fuel cell project, as well as 6.50% expected interest rate with a 1.00% minimum interest rate. Chris clarified that this would be a 20-year term (fully amortizing at 1%) and bullet repayment for all principal outstanding and accrued, but unpaid interest.

Chris discussed the updated approval requests for the Triangle Street Credit Facility. He explained that as Bert Hunter had mentioned, staff is looking for approval of an updated

term sheet, which was executed by FCE staff on April 27, 2017 and inclusive of key changes such as using swept cash to pay down principal outstanding immediately (per guidance from the Board). Chris continued that staff is also looking for an extension of the deadline for advance date. The extension would be from December 31, 2017 to May 1, 2018. Chris explained the benefits of extended advance date include more performance data for green bank review and consideration of FCE project development timeline. Chris added that CGB is looking for the ability to sell a portion of credit facility to 3rd party investor(s). Chris explained this would provide flexibility for opportunistic asset sale and value realization and allows the ability of CGB to provide guaranty for portion sold in exchange for additional consideration(s).

John Harrity responded that he is very happy to see a CT manufactured product used in this way. John Harrity moves, Eric Brown seconds. Unanimous approval

Resolution #2

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"); and

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 **\$2,006,822** construction and (potentially) term loan under the C-PACE program to Powder Ridge Mountain and Resort LLC, the building owner of 99 Powder Hill Road, Middlefield, Connecticut (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

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

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board dated January 19, 2018, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors;

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

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

b. C-PACE Transaction – New London

Resolution #3

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

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

WHEREAS, the Green Bank seeks to provide a \$1,307,882 construction and (potentially) term loan under the C-PACE program to 6 Shaw's Cove, LLC., the building owner of 6 Shaw's Cove, New London, Connecticut (the "Loan"), to finance the construction of specified clean energy measures in line with the State's Comprehensive Energy Strategy and the Green Bank's Strategic Plan; and

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

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank is authorized to execute and deliver the Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Board of Directors dated January 23, 2018, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board of Directors;

RESOLVED, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

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

c. C-PACE – Proposed Guidelines for New Construction

Resolution #4

WHEREAS, Conn. Gen. Stat. Section 16a-40g (the “Authorizing Statute”) authorizes what has come to be known as the Commercial Property Assessed Clean Energy Program (“C-PACE”), the Authorizing Statute designates the Connecticut Green Bank (“CGB”) as the state-wide administrator of the program; and

WHEREAS, the Authorizing Statute charges CGB to develop program guidelines governing the terms and conditions under which state and third-party financing may be made available to C-PACE.

NOW, therefore be it:

RESOLVED, the CGB Board of Directors (the “Board”) approves the proposed New Construction Pilot, substantially in the form of attached to that certain memo to the Board dated January 19, 2018.

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

- d. Fuel Cell Energy – Triangle Project – Danbury

Resolution #6

WHEREAS, FuelCell Energy, Inc., of Danbury, Connecticut (“FCE”) has used previously committed funding (the “Bridgeport Loan”) from Green Bank to successfully develop a 15 megawatt fuel cell facility in Bridgeport, Connecticut (the “Bridgeport Project”), and FCE has operated and maintained the Bridgeport Project without material incident, is current on payments under the Bridgeport Loan, and has requested financing support from the Green Bank to develop a 3.7 megawatt high efficiency fuel cell project in Danbury, Connecticut (the “Project”);

WHEREAS, staff has considered the merits of the Project and the ability of FCE to construct, operate and maintain the facility, support the obligations under the Loan throughout its 20 year life, and as set forth in the due diligence memorandum dated March 10, 2017, has recommended this support be in the form of a term loan not to exceed \$5,000,000, secured by all project assets, contracts and revenues as well as an unconditional performance and payment guarantee of FCE (the “Term Loan”);

WHEREAS, the Green Bank Board of Directors (“Board”) has approved the Term Loan, as recommended and requested in the due diligence memorandum dated March 10, 2017;

WHEREAS, staff has set forth in the project qualification memo dated January 26, 2018 requests for the Board to approve updates to the previously-approved Term Sheet, a new deadline for advance of May 1, 2018, and the ability to sell off all, or a portion, of the Term Loan to 3rd party investors and the ability to guaranty all (for a fee or additional consideration), or a portion, of the amount of the Term Loan sold subject to subsequent Board approval on the terms and conditions thereof.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors hereby approves the updated Term Sheet, the new deadline for advance of May 1, 2018, the ability to sell and guaranty portions of the Term Loan to 3rd party investors; and

RESOLVED, that the President of the Green Bank and any other duly authorized officer is authorized to take appropriate actions to make the Term Loan to FCE (or a special purpose entity wholly-owned by FCE) in an amount not to exceed \$5,000,000 with terms and conditions consistent with the memorandum submitted to the Board dated January 26, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 180 days from the date of authorization by the Board of Directors; and

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

6. Non-Profit Organization – Underserved Markets –
 - a. Non-Profit Organization – Discussion

Bryan Garcia introduced the last piece of the Sustainability Plan, to work with partners to establish a non-profit organization that would provide support for underserved markets (e.g., low to moderate income households) and unconventional credits (e.g., non-profits).

Kerry O'Neill provided an overview of the various issues raised by the members of the BOD over the past 6 months and discussed the pathway forward for the creation of a non-profit organization. Kerry explained that this entity will help CGB lower its operating expenses while also providing the CGB with greater flexibility to access private investment to help increase impact in Connecticut indirectly through a private non-profit.

Brian Farnen clarified that this is not a subsidiary and that CGB is working through ethic's requirements, governance process, bylaws and operating procedures of the Green Bank to enable the transition of existing employees to a non-profit. Brian explained CGB will also work through this with the office of state ethics to seek out a formal opinion approving of the proposed structure. He added that no matter what is done, we want to ensure we're adhering to both the letter and spirit of the law from an ethics and legal perspective. George Bellas explained the intent is to not have non-profit involved in the audited financials of the Green Bank. Brian Farnen added there is the potential for third party capital money coming into the non-profit in certain ways that would not occur within the Green Bank due to the sweeps of ratepayer funds. Bettina Bronisz had a question about the language talking about current employees when the resolution says former. Brian Farnen clarified that these employees are current now but would be former when transitioned to this non-profit.

Commissioner Smith asked if there is anything in our statute that prevents CGB from giving ratepayer dollars to other entities. Brian Farnen explained that the language says our funds need to be used for clean energy financing within the state of CT only. Commissioner Klee clarified that the DEEP \$5M funds are not ratepayer and are from utility mergers and RGGI administrator funds to be used for clean energy in CT. Reed Hundt asked if it was important that the non-profit is independent and wanted to know what would make it independent. Kerry O'Neill explained that independence is important

and that it would be a 501c3, filed as its own legal organization. Reed asked if there would be overlapping board membership. Brian Farnen explained there needs to be a review here to ensure overlapping Board governance does not cause the non-profit to roll up into the Green Bank's financials. Reed Hundt asked what the governance of the non-profit would be and wondered who the CEO and Chair would be. Brian Farnen explained that is to be determined and will need to be presented to the Board as part of a business plan for the proposed structure. Reed added that he is not comfortable giving the President of the Green Bank the authority to establish the entity. Reed explained he felt the question of independence really needs to be answered. Gina McCarthy responded that she felt this is a very transparent decision and we will be very transparent on how to carry it out. Gina explained she wanted to make sure we accomplish what we want with this and doing it legally.

Commissioner Smith clarified that the CGB BOD approval isn't needed for CGB to go to the Office of State Ethics. Reed questioned if everyone in CT knows this is happening. Bryan Garcia responded that CGB staff have had many conversations with the legislators since the sweeps and following on from the Sustainability Plan approved by the board in December. He also noted that there have been many articles in the press, including in Hartford Business Journal and the CT Mirror following the last meeting that have highlighted specifically the CGB's efforts to work with partners establish a non-profit organization. Bryan Garcia referenced the creation of Smart Power by Connecticut Innovations (administrator of the Clean Energy Fund before the CGB) in partnership with several private foundations in 2001 as an example of how there is a history of this being done. Bettina Bronisz questioned if the staff are identified and named. Bryan Garcia explained CGB did communicate to staff of the updates on non-profit.

Eric Brown said he felt strongly that this is a very critical year for the Green Bank and offered to meet with the team that deals with government and public relations. He added we cannot underestimate allowing that cynicism doesn't rule the day. Matt Ranelli suggested to look at legal, ethical opinions. Commissioner Smith motioned to move forward without any resolution today.

7. Other Business

a. Eric and sector heads: Budget & Operations Committee

Eric Shrago provided an overview of what was discussed in the Budget and Operations Committee. Eric discussed progress to date on our FY 2018 targets (i.e., we are ahead of target), and proposed only slight changes (e.g., cancellation of AD investment target) to the targets based on the revised FY 2018 budget approved at the December BOD meeting.

Dale Hedman added that CGB had suspended anaerobic digestion projects indefinitely. Regarding RSIP Dale said, third-party and Smart-E EPBB RSIP has driven EPBB project higher than expected for the 1st two fiscal quarters.

Kerry O'Neill discussed the success of the Smart-E 0.99% offer and how it has engaged with lots of new contractors. Kerry explained that moving forward the focus is to now retain the contractors. She added that PosiGen is seeing approximately 60 projects a month and CGB had to eliminate marketing and outreach support for that program due to budget cuts. Multifamily trend is fewer projects but much higher project size. Kerry clarified that this is not Green Bank capital, and this is MacArthur and Capital for Change

money. The program is seeing more corporate portfolios in the market. Kerry thanked Ms. Crum for facilitating a training with the CT Housing Coalition – a green building training for multifamily.

Mackey Dykes discussed the comprehensive plan for the Commercial, Industrial and Institutional sector. Mackey explained that CPACE and Commercial Lease doing well, and that the impact of budget cuts won't be seen this year due to CPACE development timelines. He added that SBEA missed implementation target but work with utilities continue.

Commissioner Klee explained that this will be the last 6-month sector check in before the effects of the budget are more visible on targets. John Harrity moves, Commissioner Klee seconds. Unanimous approval on targets.

Resolution #8

WHEREAS, the Connecticut Green Bank Staff has assessed program and product performance through the second quarter of the fiscal year 2018,

WHEREAS, the Connecticut Green Bank Board of Directors Budget and Operations Committee has discussed and reviewed these new targets,

RESOLVED, the Connecticut Green Bank Board of Directors approves the fiscal year 2018 target adjustments outlined above.

8. Adjourn

Upon a motion made by Commissioner Klee and seconded by Bettina Bronisz, the meeting was adjourned at 11:02 am.

*Denotes item requiring Board action

Next Regular Meeting: Friday, April 27, 2018 from 9:00-11:00 a.m.
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT

Respectfully Submitted,

Catherine Smith, Chairperson