

CONNECTICUT GREEN BANK

Board of Directors

Minutes

Friday, March 10, 2017

A special meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on March 10, 2017 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

1. Call to order

Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 2:06 p.m. Board members participating: Tracy Babbidge (designee) for Rob Klee (by phone), John Harrity (by phone), Norma Glover (by phone), Reed Hundt (by phone), Bettina Bronisz (by phone), Kevin Walsh (by phone) and Matt Ranelli (by phone).

Members Absent: Tom Flynn

Others Attending: Mike Bishop, Kurt Goddard and Elliott Gnedy from FCE. (by phone) and Guy West from Clean Energy Group.

Staff Attending: Cheryl Samuels, Bert Hunter, Bryan Garcia, Mackey Dykes (by phone), Chris Magalhaes, Eric Shrago, Craig Connolly, Brian Farnen, Dale Hedman, George Bellas and Kerry O'Neill (by phone).

2. Public Comments

There were no public comments.

3. Consent Agenda

a. Approval of Meeting Minutes for January 20, 2017*

Upon a motion made by John Harrity, and seconded by Catherine Smith, with an abstention by Bettina Bronisz, the Meeting Minutes from the January 20, 2017 Meeting, were approved.

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for January 20, 2017

4. Staff Transaction Recommendation

a. Residential Sector Program Transaction Recommendations

i. ARRA-SEP Credit Enhancements

Kerry O'Neill provided an overview on the Residential Sector. She discussed the plan to free up monies for Interest Rate Buy downs. She also discussed the current ARRA programs. She explained that the idea is to shift money into Interest Rate Buy Downs and utilize Green Bank dollars in Loss Reserves.

Kerry O'Neill discussed the request to replace Smart E Loan Loss Reserves, CT Solar Lease Loss Reserves, and a portion of the LIME Loan Loss Reserve (all funded with ARRA-SEP funds) with Green Bank funds.

Catherine Smith inquired about the impact on the Green Bank's Balance Sheet. George Bellas stated that it will take the unrestricted cash balances and restrict them.

Tracey Babbidge questions how much longer will CGB (and DEEP) be expected to report to DOE. Kerry O'Neill stated that she feels that it will still be a couple of years to fully use the ARRA-SEP funds for interest rate buydowns.

Catherine Smith stated that they're going to pick up the pace at which they're using the IRB's. Kerry O'Neill stated that programmatically the Green Bank is going to become much more aggressive.

Upon a motion made by Kevin Walsh, and seconded by Bettina Bronisz, the Board voted unanimously in favor.

Resolution #2

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, "AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT'S ENERGY FUTURE," which created the Connecticut Green Bank (the "Green Bank") to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16- 245n(a);

WHEREAS, in February of 2013, the DEEP released the Comprehensive Energy Strategy ("CES") for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program;

WHEREAS, the Governor's Council on Climate Change has identified the need to support renewable heating and cooling and electric vehicles to support the implementation of the Global Warming Solutions Act goal of reducing 80 percent of greenhouse gas emissions from a baseline year of 2001 by the year 2050;

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, currently

operating statewide, with 10 credit unions and community banks and one community development financial institution providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan currently includes \$4.3 million of credit enhancement, including both repurposed ARRA-SEP and Green Bank funds, to attract nearly \$30 million of private investment from local financial institutions;

WHEREAS, the Deployment Committee recommended on February 27, 2017 that the Board of Directors approve the proposed relocation of ARRA-SEP funds in amounts materially consistent with the Memorandum presented to the Committee dated February 21, 2017.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors (the “Board”) approves funding for loan loss reserves and interest rate buydowns (“Credit Enhancements”) through the use of repurposed American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) program funds be approved for Green Bank’s Cozy Home Loans, Smart- E Loans, CT Solar Loan, and LIME Loan programs (the “Programs”) in amounts materially consistent with the Memorandum presented to the Board dated March 3, 2017.

RESOLVED, that the Board approves ARRA-SEP funds for the Programs in the not- to-exceed set forth below and that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to use their best discretion to utilize the most effective use of the entirety of the ARRA-SEP Credit Enhancements in amounts not to exceed:

- a. \$28,793 for Cozy Home Loans;
- b. \$7,564,227 for Smart-E Loans;
- c. \$468,600 for CT Solar Loan; and
- d. \$300,000 for LIME Loan.

RESOLVED, that the Board approves Green Bank funds for Loan Loss Reserves for the Smart-E Loan Program in the not-to-exceed amount of \$1,869,884 including \$1,110,608 of additional funds and \$759,276 of already approved FY17 budgeted funds.

RESOLVED, that the Board approves Green Bank funds for Loan Loss Reserves for the CT Solar Lease Program in the not-to-exceed amount of \$3,500,000.

RESOLVED, that the Board approves Green Bank funds for Loan Loss Reserves for the LIME Loan Program in the not-to-exceed amount of \$325,000.

b. Commercial, Industrial, and Institutional Sector Program Transaction Recommendations

i. C-PACE Transaction (Brookfield)*

Mackey Dykes discussed the Brookfield C-PACE project. He stated that they did offer a discount in the hopes of getting additional projects. He stated that they are working on a Solar addition to the project, but that they are working with Eversource on some issues.

Kevin Walsh questioned if the Diocese was the borrower. Mackey Dykes stated that the borrower is the local Parish.

Kevin Walsh questioned if this was not approved if they would go through their own private sources. Mackey Dykes stated that their private financiers were not interested in doing the entire project.

Upon a motion made by Kevin Walsh, and seconded by John Harrity, the Board voted unanimously in favor.

Resolution #3

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes, as amended, (the “Act”), the Connecticut Green Bank (the “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 \$449,519 construction and (potentially) term loan under the C-PACE program to St. Joseph’s Church, the building owner of 5 Obtuse Hill, Brookfield, 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

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any 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 of Directors dated March 10, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of this authorization;

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. Statutory and Infrastructure Sector Program Transaction Recommendation*

i. Danbury FuelCell Energy Project*

Chris Magalhaes discussed the Danbury FuelCell Energy (FCE) Project. He stated that the Green Bank is looking at the High Efficiency technology unit, stated that it creates value to everyone including environmental benefits.

Chris Magalhaes stated that there are no long-term contracted revenue streams associated with the project. He explained that there are certain measures in place to make sure the Green Bank investment is shielded from the risks. He explained that the Green Bank will receive the first priority lien on all project assets and cash flows as well as in a lump sum of cash collateral starting in year eight of the financing term and sized to match the principal outstanding. He explained that this helps to shield the Green Bank from financing exposure.

Matt Ranelli voiced his concerns regarding the fact that there are no long-term contracts in place. He questioned who identifies who would provide the multi-year pricing strip for project value streams, and what the resources are before year 8 (when the cash collateral becomes available), in the event of a bankruptcy.

In response, Chris Magalhaes stated that due to the merchant nature of the project, FCE has put in a significant amount of equity. He stated that the project is being financed through cash from FCE as well as construction financing from third parties. He explained that the \$5 million term loan will sit on top of a significant cushion. He stated that FCE has already received quotes from Energy Service providers for the multi-year pricing strip of project value streams. He stated that having such contracts in place will be a condition for the Green Bank advance. He stated that the Green Bank is expecting an appropriate return over the 20-year term. He explained that the cash collateral available starting at year 8 is meant to help mitigate the risk that the Green Bank faces.

Kevin Walsh requested some specifics to show that this will get through the downside. Chris Magalhaes stated that they've modeled downside scenarios where the wholesale power rates began at around the 4 cents per kWh range, and for the REC's, the early years valued at \$25 per MWh and the latter years valued at \$15 per MWh. He stated that under those stress scenarios that they've modeled, the Green Bank's exposure is reasonably contained and allows for a full return of principal, and reasonable return, over the 20-year term.

Bettina Bronisz voiced her concerns with the 20-year term. She questioned if there was a way to pay it back sooner. Bert Hunter stated that there is definitely potential for that. He explained that they could explore that option with FCE. Bettina Bronisz questioned if those provisions are written in the documents. Bert Hunter stated that they are not at this point.

Kevin Walsh stated that in the market for merchant projects there is typically a 100% cash sweep in the early years to pay the principle down quicker. Catherine Smith stated that that would be a good idea to get the cash out first to the lender. After discussion, the resolution was revised to address this additional requirement for a cash sweep to the Green Bank.

Mike Bishop of FCE stated that these types of projects do have the opportunity to have long term purchase agreements. Catherine Smith reiterated the request that the Board have the cash sweep.

Norma Glover questioned how involved the Green Bank would be in the technology. Bert Hunter stated that the Green Bank would get monthly performance reports. He stated that staff constantly assesses the performance of the operating asset the Green Bank has invested in. He stated that the Fuel Cell in Bridgeport has performed as expected.

Matt Ranelli questioned if there is use of the waste heat. Elliott Gnedy of FCE stated that there is still some residual waste heat – even with the higher efficiency and that the waste heat will be used to heat a local office building. He explained that it will not be a revenue stream.

Upon a motion made by Kevin Walsh, and seconded by John Harritty the Board voted unanimously in favor of the Resolution, as amended.

Resolution #4

WHEREAS, in accordance with (1) the statutory mandate of the Connecticut Green Bank (“Green Bank”) to foster the growth, development, and deployment of clean energy sources that serve end-use customers in the State of Connecticut, (2) the State’s Comprehensive Energy Strategy (“CES”) and Integrated Resources Plan (“IRP”), and (3) Green Bank’s Comprehensive Plan for Fiscal Years 2017 and 2018 (the “Comprehensive Plan”) in reference to the CES and IRP, Green Bank continuously aims to develop financing tools to further drive private capital investment into clean energy projects;

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, Green Bank staff recommends that the Green Bank Board of Directors (“Board”) approve of the Term Loan, in an amount not to exceed \$5,000,000.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors hereby approves the Term Loan in an amount not to exceed \$5,000,000 for the Project, as a strategic selection and award pursuant to Green Bank Operating Procedures Section XII; 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 March 10, 2017, and with the additional inclusion of a 100% cash sweep of Project cash flows applied to interest and principal of the Term Loan so long as the combination of contracted cash flows and unencumbered cash collateral is insufficient to fully secure the Term Loan, 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.

5. Adjourn

Upon a motion made by Kevin Walsh, and seconded by Matt Ranelli, the Meeting was adjourned at 2:54 p.m.

Respectfully Submitted,

Catherine Smith, Chairperson