

CONNECTICUT GREEN BANK

Board of Directors

Meeting Minutes

Friday, June 9, 2017

A special meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on June 9, 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 2:01 p.m. Board members participating: Rob Klee, John Harrity, Matt Ranelli (by phone), Norma Glover (by phone), Reed Hundt (by phone), Gina McCarthy (by phone), Betsy Crum (by phone), and Bettina Bronisz (by phone)

Members Absent: Tom Flynn and Kevin Walsh

Others Attending:

Staff Attending: Bryan Garcia, Bert Hunter, Brian Farnen, George Bellas, Eric Shrago, Mackey Dykes, Cheryl Samuels, Jane Murphy, Mike Yu (by phone), Ben Healey (by phone), and Kerry O'Neill (by phone)

2. Public Comments

There were no public comments.

3. Staff Transaction Recommendations

Bryan Garcia provided an update on the staff transaction recommendations.

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

i. CT Solar Lease 3

Ben Healey discussed CT Solar Lease 3. He explained that the Green Bank had created a Solar Lease Facility for third party financing back in 2012. He stated that they continue to do work on the commercial side, but have ceased work on the residential side. He stated that the CT Solar Lease 2 Fund has been exhausted. He stated that the Onyx Facility has been set up for larger projects. He stated that the Green Bank receives an origination fee for projects associated with Onyx.

Ben Healey stated that CT Solar Lease 3 is a tax equity fund. He stated that the plan is for \$9 million in tax equity to come from US Bank. He stated that the remainder will come from the Green Bank. He explained that they will then raise money against the portfolio (that is, to attract a capital provider that would fund a portion of the capital being invested by the Green Bank). Bettina Bronisz questioned if that was what was meant by, back leveraging. Ben Healey confirmed. He stated that the

funds from a third-party capital provider will come afterwards, as opposed to up front. He stated that it allows for a quicker closing. Bettina Bronisz questioned if this will be a new special purpose LLC. Ben Healey stated yes, it has already been created pursuant to the previous related Board authorization. He stated that the Operating Agreement will be finalized once the Green Bank closes with US Bank.

Reed Hundt questioned that since the capacity of the CT Solar Lease 2 Fund had been exhausted for both residential and commercial, is the Green Bank backing out of the residential market. Bert Hunter stated that staff had reserved a certain amount of the original SL2 fund for commercial projects. He stated that they had decided to move forward with commercial only. He stated that there were numerous private market solutions for the deployment of residential solar leases and PPAs for local installers and the Green Bank did not want to stand in the way and complete where a market solution now exists. In addition, the ITC was scheduled to sunset at the end of 2016 and staff was not confident that it could use the tax equity in the residential program prior to the expiration of the ITC. Also, the provider of warranty services, Assurant, had given notice that they would not extend the warranty management product – a key element of the residential lease offering. Moreover, as Brian Farnen noted, managing the program was – at the time – consuming considerable staff resources. Bert Hunter stated that the Residential and Finance teams concluded the best thing to do, would be to RFP for Residential PPA Services, a decision and process which was previously discussed with the Board prior to moving forward with the RFP.

Reed Hundt questioned if this was working and if penetration was increasing with the alternative tactic. Bryan Garcia stated that it took some transition in that local contractors have now partnered with TPOs to fill the gap. He stated that they've been able to operationalize it. He stated that they've seen some backing down in terms of solar installs, but he feels that it's due to the fact that Solar City had pulled back. Kerry O'Neill stated that they also opened an RFP for solar financing in the Low to Moderate Income space. She stated that Posigen had responded to that RFP. Reed Hundt expressed his desire to follow the policy to continue to drive solar. He requested regular updates on that progression. Bryan Garcia stated that they would make it a point to include that in the Market Watch Reports.

Commissioner Smith stated that it didn't seem that the previous structure was serving them well. Bert Hunter stated that it did serve Connecticut well, but that since the Green Bank does not have a national platform, staff had to make a decision in the CT marketplace.

Reed Hundt discussed the penetration in CT and surrounding states, stating that CT is at 6%. Bert Hunter stated that they have shifted to emphasizing Low to Moderate Income markets. He stated that that is where they feel the real challenges are. He stated that those are underserved markets.

Brian Farnen stated that by incentivizing the private market, by not directly owning and managing a residential Solar Lease product and all that comes with it, it seemed like a better use of staff, resources, and risk mitigation. Kerry O'Neill stated that the Green Bank was falling behind on what the national providers were able to offer in the market.

Commissioner Smith stated that they need to come up with a way to ramp up on the residential side.

Ben Healey stated that they should be closing in the next few weeks with US Bank. He stated that they are asking for authorization to close the fund and move ahead. He stated that they are asking for an additional 120-day extension.

Upon a motion made by John Harrity, and seconded by, Reed Hundt, Resolution #1 passed unanimously.

Resolution #1

WHEREAS, the Connecticut Green Bank (“Green Bank”) executed a term sheet (the “Term Sheet”) on February 23, 2017 with U.S. Bank to extend the success of our previous CT Solar Lease 2 program (“SL2”) by having U.S. Bank invest approximately \$9 million in tax equity financing into a new solar PV fund focused exclusively on commercial-scale systems (“SL3”), in a manner materially consistent, absent debt financing at the project level, with the structure previously approved by the Green Bank Board of Directors (the “Board”) with respect to SL2; and

WHEREAS, the Green Bank intends to create a new special purpose vehicle and fund structure for SL3, as broadly set forth in the Term Sheet.

NOW, therefore be it:

RESOLVED, that the Green Bank Board authorizes the President of the Green Bank and any other duly authorized officer of the Green Bank, to negotiate and deliver definitive documentation to enable U.S. Bank tax equity capital and Green Bank sponsor equity to create together a SL3 fund consistent with the Term Sheet, 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;

RESOLVED, that the Green Bank may commit up to \$15 million to SL3 for term financing, in anticipation that SL3 will be back-levered once its capacity has been fully utilized and the portfolio appropriately seasoned; and

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

b. Residential Sector Program Transaction Recommendation

i. PosiGen Solar for All

Ben Healey discussed PosiGen and Solar for All. He stated that there had already been authorization of the Green Bank Debt Facility. He stated that since the set-up of the facility, 955 systems had been installed, creating 62 full-time jobs, with well over 70% serving LMI households. He stated that \$25 million had been leveraged so far. He stated that this has been a successful partnership, stating that the expectation is to achieve a run rate of 100 installations per month, starting in the next month or so.

Ben Healey stated that they are requesting two amendments. He stated that PosiGen had signed a term sheet with a reputable tax equity provider, and that staff would like to take some of the \$5 million that has already been authorized and reallocate that towards a bridge loan against future tax equity proceeds. He stated that they are asking for permission to offer \$3.5 million. Commissioner Klee questioned where the other \$1.5 million would go. Ben Healey stated that this would be a bridge loan that will get repaid when PosiGen closes. He stated that they will continue the term financing at that point, up to the previously authorized \$5 million, and that all advances will be as a secured loan. He stated that they would limit the advances in the amount of the collateral that is out there.

Betsy Crum commented on PosiGen and the partnership. She stated that it was a great use of the bridge loan.

Upon a motion made by Commissioner Klee, and seconded by, Bettina Bronisz, Resolution #2 passed unanimously.

Resolution #2

WHEREAS, the Connecticut Green Bank (“Green Bank”) has a mandate to deploy its resources to benefit all ratepayers, including low and moderate income (“LMI”) residential households;

WHEREAS, the Green Bank has an existing and successful partnership with PosiGen, Inc. (together with its affiliates and subsidiaries, “PosiGen”), whereby the Green Bank has provided a debt capital commitment (the “Loan”), divided into initial and contingent portions of \$5,000,000 each, to support PosiGen in delivering a solar lease and energy efficiency finance offering to LMI households in Connecticut;

WHEREAS, PosiGen has closed on \$8,500,000 in senior debt capital for its Connecticut activities;

WHEREAS, PosiGen has signed a term sheet for \$13,000,000 in tax equity financing, a portion of which will support projects in Connecticut; and

WHEREAS, Green Bank staff now recommends amending the Loan to allow the Green Bank to advance up to \$3,500,000 out of the contingent portion of the Loan, including as a bridge loan towards PosiGen closing on its pending tax equity facility (the “Amendment”);

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 Amendment with terms and conditions consistent with the memorandum submitted to the Board dated June 5, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board; and

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

c. Infrastructure Sector Program Transaction Recommendation

i. Residential Solar Investment Program – PBI Commitment Payout

Mike Yu discussed the PBI payout and the fundamental framework. He thanked Reed Hundt for his help in putting them in touch with some of his contacts at Stanford University. He stated that they did incorporate some of the tools that they were offered from them. He stated that their goals remain the same. They believe that it will be a sufficient use of cash. He stated that they will return some of the much-needed cash to the TPO's.

Mike Yu discussed the framework and that it focused on \$5 million deployed by June 30. He explained that it will be a sealed auction. He explained that bidders can submit multiple bids for different configurations of discount rate and PBI amount, but that there will be rules around the eligible configurations. He explained that a bidder would not offer up a higher discount rate and more capital. He stated that it would not make economic sense and by default would mean trying to game the auction, so that type of behavior will be prohibited. He stated that there will be a reserve price and a minimum bid size. He stated that this will reduce the risk of auction gaming and mitigates the risk of concentrated bidding power. He stated that the final rate offered will be the same rate to all. He stated that they are working with Dale Hedman to come up with a bid template.

Commissioner Smith questioned if they are required to take up to \$5 million or can they stop wherever they choose. Mike Yu stated that if it's \$5 million or more above the reserve price, there would be no reason they wouldn't proceed without the full \$5 million. Bert Hunter stated that Commissioner Smith was referring to one proposal from the legislature to sweep Green Bank funds, stating that it's just a proposal, but that it's certainly a possibility. Brian Farnen stated that it could be \$13 million and potentially \$15 million to be swept, but stated that they have been doing all the proactive things to make sure that the Green Bank is in the best possible position. He stated that we don't expect a sweep of that size and it would be detrimental to the clean energy economy, job creation and tax receipts, but that we do need to be prepared.

Commissioner Smith stated that it's very hard to predict what will happen. Betsy Crum stated that committed funds don't appear to be money that will be swept. Commissioner Smith questioned if they get some reduction in funds moving forward, would they still be able to do it. Bryan Garcia stated, yes. John Harrity stated that he feels the Governor is with them and feels that they should proceed. Brian Farnen stated that they have a strong ally in the Governor's Office.

Commissioner Smith thanked the team for all of their hard work.

Upon a motion made by John Harrity, and seconded by Commissioner Klee, Resolution #3 passed unanimously.

Resolution #3

WHEREAS, the Green Bank designed and implemented a Residential Solar Photovoltaic Investment Program (“RSIP”) to achieve a minimum of three hundred (300) megawatts of new residential PV installation in Connecticut before December 31, 2022;

WHEREAS, pursuant to Section 106 of the Act, the Green Bank offers direct financial incentives, in the form of performance-based incentives (“PBI”) or expected performance-based buydowns (“EPBB”), for the purchase or lease of qualifying residential solar photovoltaic systems;

WHEREAS, the Green Bank seeks to opportunistically reduce some of its obligations under the PBI program by purchasing the obligations at a discount; and

WHEREAS, on May 30, 2017, the Deployment Committee recommended authorizing the allocation and use of up to \$5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors (“Board”) authorizes the allocation and use of up to \$5,000,000 of unrestricted Green Bank funds to buy-out PBI obligations consistent with this memorandum dated June 2, 2017; and

RESOLVED, that the Board further authorizes Green Bank staff to (1) conduct an auction whereby the Green Bank solicits bids from third-party owners to set a market discount rate at which PBI obligations may be bought-out and (2) enter into agreements for the buy-out of such PBI obligations upon conclusion of the auction; 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 auction.

4. Adjourn

Upon a motion made by John Harrity, and seconded by, Commissioner Klee, the Board Meeting was adjourned at 2:57 p.m.

Respectfully Submitted,

Catherine Smith, Chairperson