

CONNECTICUT GREEN BANK

Board of Directors

Minutes – Regular Meeting

Friday, June 20, 2014

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on June 20, 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 9:06 a.m. Board members participating: Bettina Ferguson, State Treasurer’s Office; Norma Glover; John Harrity; Reed Hundt (by phone); Rob Klee, Vice Chairperson of the Green Bank and Commissioner of the Department of Energy and Environmental Protection (“DEEP”); Matthew Ranelli; Catherine Smith, Chairperson of the Green Bank and Commissioner of the Department of Economic and Community Development (“DECD”).

Members absent: Mun Choi, Tom Flynn, and Patricia Wrice.

Staff Attending: Jessica Bailey, George Bellas, Andy Brydges, Joe Buonannata, Mackey Dykes, Brian Farnen, Bryan Garcia, David Goldberg, Ben Healey (by phone), Dale Hedman, Bert Hunter, Andrea Janecko, Alexandra Lieberman, Rick Ross, Cheryl Samuels, Genevieve Sherman (by phone), and Jaime Welsh.

Others Attending: Devon Dillard, State Treasurer’s Office Summer Intern; Katie Dykes, DEEP; Denise Farrell, DEEP (by phone); Henry Link; Frank Owens, Thompson Partners, LLC; Lionel Samuel, State Treasurer’s Office Summer Intern.

2. **Public Comments**

Mr. Harrity brought to the attention of the Board that he had recently participated in the CT Roundtable on Climate and Jobs and, after offering his contact information to participants, received an email from a member of a municipal clean energy task force asking for increased communication and support from the Connecticut Green Bank. Mr. Garcia assured the Board that the Bank is happy to conduct joint events with municipal clean energy task forces whenever possible and noted that a quarterly update webinar had just been held for stakeholders with over 100 participants. Mr. Goldberg informed

the Board that the Bank's quarterly newsletter, "Green Bank Matters," has between two to three thousand recipients on its distribution list. Mr. Garcia added that the Board meeting schedule would be added to the newsletter. Attorney Farnen also proposed that Bob Wall, the Bank's Associate Director of Outreach, could provide the Board with a summary of the community events that the Bank sponsors and participates in at the next Board meeting.

3. Approval of Minutes for April 25, 2014 Meeting

Ms. Smith asked the Board to consider the minutes from the April 25, 2014 meeting.

Upon a motion made by Ms. Glover, seconded by Mr. Harrity, the Board members voted unanimously in favor of adopting the minutes from the April 25, 2014 meeting with two grammatical edits.

4. Update from the President

Mr. Garcia informed the Board that per the Round 2 SunShot Initiative grant from the U.S. Department of Energy, the Connecticut Green Bank recently released a statewide permitting guide designed to provide all Connecticut municipalities with materials to assist them in reviewing, inspecting, and approving solar photovoltaic projects. The guide may also result in more standardization for contractors.

Mr. Garcia discussed the recent launch of "Solarize U," an adaption of the city-based version of Solarize Connecticut to focus on large employers (e.g., colleges and universities). Six universities will participate in the pilot phase of the campaign this fall.

Regarding the CT Solar Loan, Mr. Garcia noted that the program has generated a significant amount of origination volume and that the Bank's solar loans will soon appear on the Mosaic website, where qualified investors will have an opportunity to invest in residential solar PV across the state of Connecticut.

Related to Mr. Garcia's update on the CT Solar Loan, Ms. Smith mentioned an idea raised in a recent *New York Times* article on how people whose homes may not be a good fit for solar can still "go solar" in some way. Mr. Hunter explained that this idea is called "community solar," and that it was raised before the State Legislature this session but did not move forward. Mr. Garcia also acknowledged that the Connecticut Green Bank and DEEP would plan discussions around community solar in the near future in preparation for next session.

Mr. Garcia updated the Board on the introduction of the federal Green Bank Act of 2014, President Obama's recent mention of the Connecticut Green Bank as a leading investor in clean energy in a national speech, and his participation as master of ceremony at an event with Mr. Klee and Governor Malloy for the release of the Governor's progress report on Connecticut reducing its greenhouse gas emissions per the Climate Change Action Plan of 2005 and the Comprehensive Energy Strategy of 2013.

5. Budget and Operations Committee Recommendations

Prior to Mr. Dykes' overview of the Budget and Operations Committee recommendations, Mr. Garcia noted to the Board that the Connecticut Green Bank is continuing to work towards driving more consumer demand for clean energy and is currently building out its internal systems (i.e., legal, accounting, etc.), but needs to continue to attract private investment. He also emphasized the importance of the external view of the organization and making sure that the Bank is focused on meeting and implementing its Comprehensive Plan.

a. FY 2015 and 2016 Comprehensive Plan

Mr. Dykes presented to the Board an updated Vision Statement for the agency. He explained that the proposed statement is much more ambitious and visionary than its predecessor. Mr. Harrity agreed with Mr. Dykes, and added that the proposed statement positions Connecticut to lead the Green Bank movement. Mr. Ranelli cautioned that the agency's focus should remain on the Green Bank movement in the state.

Members of the Board and Staff discussed various grammatical and linguistic edits to the Vision Statement, including adding the more all-encompassing terms "clean environment" and "energy security." The final take-away was that the vision should be short, succinct, and ambitious.

Financing

Mr. Hunter reviewed the Financing section of the proposed Comprehensive Plan. He noted that private-public partnerships are at the center of the successful efforts of the Connecticut Green Bank thus far.

Marketing

Mr. Dykes highlighted the importance of attracting and deploying capital, and the channels through which that can be achieved.

General Comments

Ms. Smith instructed the Board that any minor comments on the language of the Comprehensive Plan should be submitted to the Bank directly via email and that the remaining meeting time should be spent on substantive discussions.

Mr. Hundt expressed his admiration for the way the Comprehensive Plan was written, but raised a few points for discussion: he wanted clarity in the Plan with respect to affordability, transportation, reduction of greenhouse gases, and the natural gas market; and a clearer focus on markets in general.

Ms. Glover stated that Staff should review the Statute that created CEFIA to make sure the Plan is in line with it. Mr. Garcia reminded the Board of the updated definition of “clean energy” as defined in Section 16-245n of the Statute.

Ms. Smith emphasized the importance of the Bank focusing on electric vehicles and the infrastructure that they may need. Mr. Klee added that financing is an important tool to bring technologies to scale.

Ms. Smith highlighted the importance of addressing the reduction of greenhouse gases and the natural gas market in the Plan. Mr. Garcia stated that providing consumers with options to access natural gas are being addressed in the Residential sector via the Smart-E Loan product and in the Commercial sector via the C-PACE program supporting natural gas conversions and more efficient equipment replacement. Mr. Ranelli encouraged the Bank to be very clear on how it will support natural gas expansion as there are environmental effects to consider. Ms. Dykes stated that it is important to communicate that financing through the Bank can help reach natural gas conversion goals discussed in the Comprehensive Energy Strategy.

Regarding the framing of markets in the Plan, Mr. Hundt stated that he will send comments to Staff directly via email.

Mr. Ranelli added that there should be a mention of storage in the Plan as net metering is using the grid to make it viable, and that it is important for the Bank to take a position on this.

FY 15 Targets

Mr. Dykes reviewed the Connecticut Green Bank's targets for FY 15, emphasizing the continued movement away from incentives and towards financing. He stated that there are ambitious targets in all sectors: Residential – the products are all taking off; Commercial & Industrial – looking to double the projects of the previous year and also anticipate new product development; Institutional – lots of opportunity; and Statutory & Infrastructure – not as ambitious as the past year because of such a large amount of deployment, yet still high targets.

b. FY 2015 Budget

Mr. Dykes reviewed the expected revenues for FY 2015, indicating a 12.9% budget increase from FY 14 to FY 15 for general operations and programs.

A discussion followed on expected cash flows and how much cash the Connecticut Green Bank would have on hand at the end of FY 2015, with some members of the Board feeling as if this amount was too thin.

Ms. Glover noted that in the past, concerns were raised within the Budget and Operations Committee of the Board of Directors that the Bank was holding onto too much money at year's end and that for FY 15 this issue was being addressed. Ms. Smith stressed the importance of banks interested in partnering with the Connecticut Green Bank being comfortable with how much cash the Bank has at year's end. Mr. Hunter clarified that the figure represented only cash and that net assets still would remain very strong. Mr. Bellas added that net assets are also getting stronger with each loan put on the books.

Ms. Smith and Ms. Ferguson agreed that a review of cash flows should be conducted each quarter and reported to the Board to ensure the Bank remains in a good position.

Mr. Dykes stated that the Bank is estimating approximately \$500M in capital deployed for FY 15.

Mr. Dykes discussed a proposed staffing increase of nine employees, bringing the number of full-time employees from 36 to 45. Five positions are new, while the other four include the transition of Mr. Bellas' team from Connecticut Innovations to the Connecticut Green Bank. Regarding a proposed Legal position, Attorney Farnen stated that he and his team would assess the need for an additional employee or continue partnering with outside legal counsel as necessary.

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolutions regarding the Comprehensive Plan for Fiscal Years 2015 and 2016 and Budget for Fiscal Year 2015 as written, with the caveat that changes may be proposed at the upcoming meeting of the Connecticut Green Bank Board of Directors on July 18, 2014.

Fiscal Years 2015 and 2016 Comprehensive Plan

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the Act), "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 per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, the Act directs the Green Bank to develop a comprehensive plan to foster the growth, development and commercialization of clean energy sources, related enterprises and stimulate demand clean energy and deployment of clean energy sources that serve end use customers in this state (the "Comprehensive Plan");

WHEREAS, Article V of the Green Bank Operating Procedures requires the Green Bank Board of Directors (the "Board") to adopt an Annual Plan for each forthcoming fiscal year;

WHEREAS, Article V, Section 5.3.2 of the Green Bank by-laws charges the Budget and Operations Committee to recommend to the Board the annual plan of operation; and

WHEREAS, the Budget and Operations Committee of the Green Bank has reviewed the proposed Comprehensive Plan for Fiscal Years 2015 and 2016 and voted unanimously in favor of recommending it for approval by the Board.

NOW, therefore be it:

RESOLVED, that the Board approves the proposed Comprehensive Plan for Fiscal Years 2015 and 2016.

Fiscal Year 2015 Budget

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80 (the “Act”), “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 per the definition of clean energy in Connecticut General Statutes Section 16-245n(a);

WHEREAS, Article V of the Green Bank Operating Procedures requires the Green Bank Board of Directors (the “Board”) to adopt an Annual Operating Budget for each forthcoming fiscal year;

WHEREAS, Article V, Section 5.3.2 of the Green Bank by-laws charges the Budget and Operations Committee to recommend to the Board the annual operating budget; and

WHEREAS, the Budget and Operations Committee of the Green Bank has reviewed the proposed Budget for Fiscal Year 2015 and voted unanimously in favor of recommending it for approval by the Board.

NOW, therefore be it:

RESOLVED, that the Board approves the proposed Budget for Fiscal Year 2015.

Due to time limitations, Ms. Smith proposed, and the Board agreed, to adjust the agenda so that items needing Board approval could be addressed first. **Agenda Item #6, the Deployment Committee and Audit, Compliance and Governance Committee Recommendation**, was tabled until the next meeting of the Connecticut Green Bank Board of Directors on July 18, 2014. Agenda Item #8 was covered prior to #7.

8. Commercial and Industrial Sector Program Recommendations

a. C-PACE Transactions

Ms. Bailey provided an overview of the three C-PACE transactions being presented to the Board for approval this month. She noted that the three transactions are all structured in a manner familiar to the Board of Directors, and that due to their size, require Board approval.

14 Alcap Ridge

Ms. Bailey discussed the request for C-PACE financing to fund the approximate \$2,000,000 installation of envelope energy efficiency improvements at 12 Alcap Ridge, Cromwell, CT. Ms. Bailey noted that the term loan would be 17 years at a 5.7% interest rate.

New Century Gardens

Ms. Bailey discussed the request for C-PACE financing to fund the approximate \$343,000 installation of a 122-kilowatt solar photovoltaic system at Cambridge Apartments, a multifamily property owned by New Century Gardens, at 2209 Main Street, Bridgeport, CT. Ms. Bailey explained that the term loan would be 20 years at a 6.0% interest rate, and includes a 15-year ZREC. She also noted that this is the first Multifamily project to use C-PACE financing.

Mr. Ranelli remarked that it is nice to see a proposal for a Multifamily project.

J.W. Green

Ms. Bailey discussed the request for C-PACE financing to fund the approximate \$446,000 installation of a 125-kilowatt solar photovoltaic system at 276 S. Washington Street, Plainville, CT. She explained that the term loan would be 20 years at 6.0% interest rate, including a 15-year ZREC.

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolutions regarding the C-PACE transactions for 1) 14 Alcap Ridge, Cromwell; 2) New Century Gardens, Bridgeport; and 3) J.W. Green, Plainville.

14 Alcap Ridge

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 (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 has approved a \$40,000,000 C-PACE construction and term loan program; and

WHEREAS, the Green Bank seeks to provide a \$1,984,880 construction and (potentially) term loan under the C-PACE program to 14 Alcap, LLC, the property owner of 14 Alcap Ridge, Cromwell, 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 Comprehensive 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 of Directors dated June 13, 2014, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 90 days from June 20, 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.

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 instrument.

New Century Gardens

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 (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 has approved a \$40,000,000 C-PACE construction and term loan program; and

WHEREAS, the Green Bank seeks to provide a \$343,374 loan under the C-PACE program to New Century Gardens, LLC, the property owner of 2209 Main

St, 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 Comprehensive 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 of Directors dated June 13, 2014, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 90 days from June 20, 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.

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 instrument.

J.W. Green

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 (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 has approved a \$40,000,000 C-PACE construction and term loan program; and

WHEREAS, the Green Bank seeks to provide a \$446,205 construction and (potentially) term loan under the C-PACE program to J. W. Green Co., Inc., the property owner of 276 S. Washington St., 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 Comprehensive 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 of Directors dated April 17, 2014, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 90 days from June 20, 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.

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.

7. Statutory and Infrastructure Sector Program Recommendation

a. Southington Anaerobic Digester Project

Mr. Ross discussed the request for an approximate \$4,000,000 subordinated loan to fund the installation of a 1.6-megawatt anaerobic digestion project in Southington, CT. He noted that the Deployment Committee of the Connecticut Green Bank's Board of Directors had already reviewed this project thoroughly, but due to its size, the project needed full Board approval.

Mr. Ranelli explained that because Covanta Energy (in partnership with Turning Earth, LLC) is the developer of this project and is also a client of his law firm, he would abstain from voting.

Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board members voted unanimously in favor of adopting the following resolution regarding the Southington Anaerobic Digester Project as written. Mr. Ranelli abstained from voting.

WHEREAS, Turning Earth Central Connecticut, LLC (“TECC”) – Integrated Organic Recycling Facility, a limited liability company wholly-owned by Turning Earth, LLC, has submitted a proposal for an Anaerobic Digestion facility to be located in Southington, CT;

WHEREAS, in early 2013, the Connecticut Green Bank (the “Green Bank”) released a rolling Request for Proposals in the third round of solicitations for anaerobic digestion (AD) projects to participate in a statutorily mandated AD Pilot program, an initiative aimed at reducing landfill waste through the recycling of organics, helping to promote sustainable practices and economic prosperity of Connecticut farms and other businesses by using organic waste with on-site anaerobic digestion facilities to generate electricity and heat;

WHEREAS, Turning Earth, LLC submitted the TECC - Integrated Organic Recycling Facility proposal in response to develop, in the Town of Southington, a 1.6 MW AD and cogeneration project and, after a thorough review, was selected as a project that is consistent with the Green Bank Comprehensive Plan and in the best interests of ratepayers and was offered a subordinated loan in the amount not to exceed \$4,012,984 at a 2 percent interest rate for 10 years, to attract private capital and representing 18 percent of the overall project’s capital expense as well as a preferential interest rate valued by staff at an amount that does not exceed the \$450 per kilowatt limit under Section 103 of Public Act 11-80; and

WHEREAS, at a regular meeting held on May 15, 2014, the Deployment Committee passed resolutions to recommend to the Green Bank Board of Directors their approval (a) of the TECC - Integrated Organic Recycling Facility Project and (b) for the Green Bank to execute definitive loan documentation for a \$4,012,984 subordinated loan with terms and conditions consistent with the memorandum submitted to the Deployment Committee dated May 8, 2014.

NOW, therefore be it:

RESOLVED, that the Green Bank Board of Directors approves and authorizes the Green Bank staff to execute definitive loan documentation materially based on the term sheet set forth in the due diligence package dated June 20, 2014 for financial support in the form of a \$4,012,984 subordinated loan financing.

RESOLVED, that this Board action is consistent with Section 103 of Public Act 11-80.

RESOLVED, that the proper Green Bank 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 these Resolutions.

Discussion on the Bridgeport District Heating and Cooling project was tabled until the next meeting of the Deployment Committee of the Connecticut Green Bank's Board of Directors.

9. Legislative Update

Mr. Goldberg explained to the Board that Connecticut Green Bank Staff are currently working with DEEP, the Governor's Office and other partners to address an issue affecting the Bank's Residential Solar Investment Program ("RSIP"). Public Act 14-134 was signed into law on June 6, 2014 and mistakenly included a provision that changes language within RSIP so that those who have received an Expected Performance-Based Buydown ("EPBB") are no longer allowed to net meter. Mr. Goldberg explained to the Board that the Bank Staff was working through several different solutions, and, in the interim, would temporarily hold all RSIP applications in order to maintain compliance with the new law.

Attorney Farnen stated that all parties agree that this was a mistake, but is one that needed to be addressed immediately. Mr. Hedman reassured the Board that Bank Staff was working out several options to remedy the issue.

Ms. Smith acknowledged the challenge of this issue and encouraged Bank Staff to consider all positives and negatives associated with the solutions they propose as a remedy.

10. Adjournment: Upon a motion made by Ms. Glover, seconded by Ms. Ferguson, the Board voted unanimously in favor of adjourning the June 20, 2014 meeting at 11:09 a.m.

Respectfully Submitted,

Catherine Smith, Chairperson