

CONNECTICUT GREEN BANK

Board of Directors

Regular Minutes

Tuesday, October 3, 2017

1. Call to Order

Bryan Garcia called the meeting to order at 5:03 p.m. Board members participating: Eric Brown (by phone), Bettina Bronisz (by phone), Matt Ranelli (by phone), Rob Klee (by phone), Reed Hundt (by phone), Betsy Crum (by phone), Catherine Smith (by phone), and John Harrity (by phone)

Members Absent: Kevin Walsh, Tom Flynn, and Gina McCarthy

Staff Attending: (all by phone) Laura Fidaio, Bryan Garcia, Bert Hunter, Mackey Dykes, Eric Shrago, Anthony Clark, Brian Farnen, Chris Magalhaes and Cheryl Samuels

2. Public Comments

There were no public comments.

3. Staff Transaction Recommendations

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

i. Private Capital for Small Business Energy Advantage Program

Bryan Garcia provided a high-level overview of the SBEA Program. He discussed the statutory requirement of the Energy Efficiency Board and the Board of Directors of the Connecticut Green Bank coordinating on programs through the Joint Committee and one of their main goals, that being “To identify and engage alternative capital sources to lower the cost of and increase opportunities for project financing.”

Anthony Clark discussed the key benefits of the new solution that they are proposing. He stated that the EEB is looking to develop a more cost-efficient way to provide loans to small business customers. He stated that the idea is to lower the cost of capital for money into the Program. He stated that under the current model funding is coming from a mix of utility shareholder capital and some ratepayer money from the CEEF. He stated that the Green Bank together with Eversource and UI (the “Utilities”) and upon the advice of the EEB issued an RFP to capital providers. He stated that the facility that has been created helps to achieve the goals of bringing in private capital at a lower cost. He stated that this facility will maintain a similar origination structure. He stated that CEEF support pays for the loan loss reimbursement and the

interest rate buy down since the loan to the customers are without interest. He stated that there is not a stringent credit underwriting process – one that is based purely on bill payment history which has served the program well. He stated that historically, defaults have not been much above 1%.

Laura Fidaio discussed the structure that is being proposed for the Board's approval. She stated that the Green Bank will provide \$3 million subordinated capital and JP Morgan will provide \$27 million as the senior lender. She stated that although the project origination process which is managed between the Utilities and the contractors remains much the same, the customer will sign a loan agreement with the LLC instead of with the Utility (as is the program practice at present). The LLC will then make the payments to the contractor after project completion and confirmation of project completion by the Utilities. It is these payments to the contractors that represent the proceeds of the loans to the customers. She stated that customer loans under the new arrangements will still be repaid on the bill. She stated that the utilities will transfer the funds collected from customer payments back to the LLC. She stated that the LLC will be in charge of the administration of the capital and cash flows. She stated that the LLC will calculate the interest cost reimbursement from CEEF. Any administrative costs will also be reimbursed by CEEF, as well as loan losses. She stated that the savings or benefits of this program are the cost of capital savings. She stated that the administrative costs will increase slightly but the loan losses are forecasted to remain the same. She stated that overall, the initial 5-year period there will be a savings of \$2.8 million. However, as the financing facility is in place for a few years, the annual savings are expected to stabilize at about \$1.7 million per year.

Mackey Dykes stated that the Green Bank sees opportunities that once they have this flexible capital in place the Green Bank and the Utilities could explore expanding parameters of the program. He stated that a joint goal is to start going after deeper savings, and making SBEA a more flexible financing product could help achieve this goal.

Matt Ranelli stated that they should push the utilities as part of the Joint Committee, to expand the on-bill financing to expand offerings for customers through accessing private capital through the Green Bank. He stated that they need to explore and address Board of Education's so that they can also access this capital as easily as others.

Reed Hundt stated that this is a great model. He questioned why the Green Bank would only hold 10% of the facility. Mackey Dykes stated that JP Morgan had made the request that a loan loss reserve be put into place. As the structure changed at the request of the Utilities, the Green Bank proposed an equity contribution to accommodate these requests. He stated that a question has come up about why the Green Bank is not bearing the loan loss reserve for

this fund. He stated that they think that it is an appropriate question given the Green Bank's role of providing financing. He stated that if the Green Bank is to think about taking on more risk, we need think about ways to earn more return to compensate for that added risk and other related matters (terms and conditions, for instance). He stated that this is a large topic and now is not the time to try to reorient the structure. He stated that this will be a topic of conversation at the next EEB Meeting. Commissioner Klee stated that those are all great points for future evolutions, but not at the present where the focus should be on closing this transaction with lower cost capital. Eric Brown requested that the EEB members be briefed on the topic. Mackey Dykes stated that they will do that.

Upon a motion made by Reed Hundt, and seconded by Matt Ranelli, the motion passed unanimously.

Resolution #1

WHEREAS, pursuant to Conn. Gen. Stat. Section 16-24n the Connecticut Green Bank ("Green Bank") has a mandate to develop programs to finance clean energy investment for small business, industrial, and municipal customers in the State;

WHEREAS, recapitalizing the Small Business Energy Advantage ("SBEA") program with private sector capital is a recognized priority in the Green Bank's Comprehensive Plan and is a goal of the CT Energy Efficiency Board and Green Bank Joint Committee;

WHEREAS, The Connecticut Light and Power Company d/b/a Eversource Energy and The United Illuminated Company (together, the "Utilities") have requested the Green Bank's assistance sourcing low cost private sector capital;

WHEREAS, the Green Bank released a Request for Proposals for Small Business Energy Advantage Program Alternative Financing Solutions (the "RFP") on November 14, 2016;

WHEREAS, JP Morgan Chase responded to the RFP with a comprehensive and flexible solution offering the lowest cost capital to recapitalize the SBEA program;

WHEREAS, Green Bank staff has selected JP Morgan Chase's proposal to recapitalize the SBEA program and now recommends that the Green Bank support the recapitalized SBEA facility by creating and managing a special

purpose vehicle (the “SPV”) for the new fund structure, committing \$3 million in an equity contribution to the fund structure (the “Equity Contribution”), and providing up to \$750,000 of capital for short-term liquidity purposes (the “Liquidity Capital”), and;

WHEREAS, the Utilities will continue to make funding available from the Connecticut Energy Efficiency Fund (“CEEF”) to reimburse interest expenses, loan losses, and administrative costs associated with the recapitalized SBEA program.

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 agreements to establish the Equity Contribution, Liquidity Capital, and SPV with terms and conditions consistent within the memorandum submitted to the Board dated September 21, 2017, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 270 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.

4. Adjourn

Upon a motion made by Bettina Bronisz, and seconded by Matt Ranelli, the meeting was adjourned at 5:31 p.m.

Respectfully Submitted,

Catherine Smith, Chairperson