CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
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www.ctcleanenergy.com

October 10, 2014

Dear Audit, Compliance and Governance Committee Members,

We look forward to our meeting on Wednesday, October 15th, at the Connecticut Green Bank in Rocky Hill from 1:00 p.m. to 2:00 p.m. We have the following important agenda items:

1. Presentation of the 2014 Comprehensive Annual Financial Report (includes the Draft Audited Financial Statements and the Federal Single Audit Report) (note these are draft and subject to change before our meeting)
2. 2015 Legislative Agenda
3. PURA Regulatory Comments and the level of our activism
4. Review Bylaws and Joint Committee Bylaws (quickly)
5. Board Member appointments ending during FY 2015

The materials for the meeting can be found at the link below. As always, please let me know if you have any questions.

Sincerely,

Brian Farnen
General Counsel & Chief Legal Officer

845 Brook Street
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AGENDA

Audit, Compliance and Governance Committee of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Wednesday, October 15, 2014 – Regular Meeting
1:00 to 2:00 p.m.

Staff Invited: Bryan Garcia, Brian Farnen, Bert Hunter, George Bellas, Mackey Dykes

Others Invited: William Sawicki, John Schuyler, Gary Smith

1. Call to order

2. Public Comments – 5 minutes

3. Approve meeting minutes for July 17, 2014 Special Meeting* – 5 minutes

4. Presentation of the 2014 Comprehensive Annual Financial Report (includes the Draft Audited Financial Statements and the Federal Single Audit Report for the Connecticut Green Bank for the Fiscal Year ending June 30, 2014)* – 20 minutes

5. Discuss 2015 Legislative Agenda– 10 minutes

6. Discuss PURA Regulatory Comments and the level of our activism – 10 minutes

7. Review Bylaws and Joint Committee Bylaws – 5 minutes

8. Discuss Board Member appointments ending during Fiscal Year 2015 – 5 minutes

Patricia Wrice –	6/30/15
Mun Choi –	6/30/15
Tom Flynn –	6/30/15
Matt Ranelli –	7/14/15
John Harrity –	9/12/15

9. Adjourn

*Denotes item requiring Committee action

Join the meeting online at **https://www4.gotomeeting.com/join/665558999**

Dial +1 (786) 358-5420 Meeting ID: 665-558-999

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

RESOLUTIONS

Audit, Compliance and Governance Committee of the
Connecticut Green Bank
845 Brook Street
Rocky Hill, CT 06067

Wednesday, October 15, 2014 – Regular Meeting
1:00 to 2:00 p.m.

Staff Invited: Bryan Garcia, Brian Farnen, Bert Hunter, George Bellas, Mackey Dykes

Others Invited:

1. Call to order

2. Public Comments – 5 minutes

3. Approve meeting minutes for July 17, 2014 Special Meeting * – 5 minutes

Resolution #1

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for July 17, 2014. Second. Discussion. Vote.

4. Presentation of the 2014 Comprehensive Annual Financial Report (includes the Draft Audited Financial Statements and the Federal Single Audit Report for the Connecticut Green Bank for the Fiscal Year ending June 30, 2014)* George Bellas – 20 minutes

Resolution #2

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank Operating Procedures requires the Audit, Compliance, and the Governance Committee (the "Committee") to meet with the auditors to review the annual audit and formulation of an appropriate report and recommendations to the Board of Directors with respect to the approval of the audit report;

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors for approval the 2014 Comprehensive Annual Financial Report which includes the Financial Statements and the Federal Single Audit Report of the Connecticut Green Bank for the Fiscal Year Ending June 30, 2014 (Attachment A).

5. Discuss 2015 Legislative Agenda– Bryan Garcia and Brian Farnen - 10 minutes

6. Discuss PURA Regulatory Comments and the level of our activism – Bryan Garcia and Brian Farnen - 10 minutes

7. Review Bylaws and Joint Committee Bylaws – Brian Farnen - 5 minutes

8. Discuss Board Member appointments ending during Fiscal Year 2015 – Brian Farnen - 5 minutes

Patricia Wrice –	6/30/15
Mun Choi –	6/30/15
Tom Flynn –	6/30/15
Matt Ranelli –	7/14/15
John Harrity –	9/12/15

9. Adjourn

*Denotes item requiring Committee action

Join the meeting online at https://www4.gotomeeting.com/join/665558999

Dial +1 (786) 358-5420 Meeting ID: 665-558-999

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Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #1
Call to Order
October 15, 2014 (Regular Meeting)

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FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #2
Public Comments
October 15, 2014 (Regular Meeting)

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #3
Approval of Meeting Minutes of July 17, 2014 (Special Meeting)
October 15, 2014 (Regular Meeting)

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #4
Draft Comprehensive Annual Financial Report (CAFR)
October 15, 2014 (Regular Meeting)

CONNECTICUT GREEN BANK

Presentation of the Audit for June 30, 2014

MARCUM
ACCOUNTANTS ▲ ADVISORS

marcumllp.com

The Audit

- Unmodified Opinion on the Financial Statements
- Audit conducted under
  - Auditing Standards Generally Accepted in the United States of America
  - *Government Auditing Standards* issued by the Comptroller General of the United States
- Reporting on Internal Control Over Financial Reporting and on Compliance and Other Matters required under *Government Auditing Standards*
- Reporting on Internal Control and Internal Control Over Compliance required under the Federal OMB Circular A-133 (single audit)

MARCUM
ACCOUNTANTS ▲ ADVISORS

Status of the 2014 Audit

- **The following areas are open:**
  - Loan Reserves / Debt Covenants
  - Cleanup of financial statements – opinion, review of disclosures supplied from CGB (solar loans, program notes, etc.)
  - Completion of federal (A-133) single audit
  - Finalization of MD&A
  - Subsequent events / Updating of Legal Confirms
  - CAFR assembly
  - CGB review of final reporting
  - Management representation letter
  - Issuance of audit opinion and related federal single audit reporting

MARCUM
ACCOUNTANTS ▲ ADVISORS

Audits in Accordance with *Government Auditing Standards* ("Yellow Book")

- All audits require the auditor to gain an understanding of internal control in order to plan the audit procedures
- Audits under *Government Auditing Standards* (GAS) require an explicit reporting on whether or not there were significant deficiencies or material weaknesses found in internal controls over financial reporting or in compliance by the entity over grants, contracts, laws, regulations or agreements that could materially impact its financial statements

MARCUM
ACCOUNTANTS ▲ ADVISORS

Management Responsibilities

- Establishing and maintaining effective internal controls, including those over compliance;
- Selection and application of accounting principles;
- Making all financial records and related information available for the audit;
- Design and implementation of programs and controls to prevent and detect fraud; and
- Compliance with laws, regulations, contracts, agreements and grants as required by *Government Auditing Standards* and the federal single audit act (A-133)

MARCUM
ACCOUNTANTS ▲ ADVISORS

Auditor Reporting to Governance

- **Our responsibility to report on conducting the engagement:**
  - Significant sensitive accounting estimates including the valuation of investments
  - Significant audit adjustments and proposed but unrecorded adjustments – NONE
  - Disagreements with management about auditing, accounting or disclosure matters – NONE
  - Management's consultations with other auditors – NONE

Auditor Reporting to Governance

- Difficulties encountered relating to the performance of the audits – NONE
- Material errors or fraud or possible illegal acts – NONE
- Relationships between any of our representatives and CGB that in our professional judgment, may reasonably be thought to bear on independence – NONE
- Major issues discussed with management prior to retention – NONE
- Other items – NONE

Questions?

Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #5
2015 Legislative Agenda
October 15, 2014 (Regular Meeting)

THE SHREC

Residential Solar Investment Program

Background - Achieved Legislative Minimum Target

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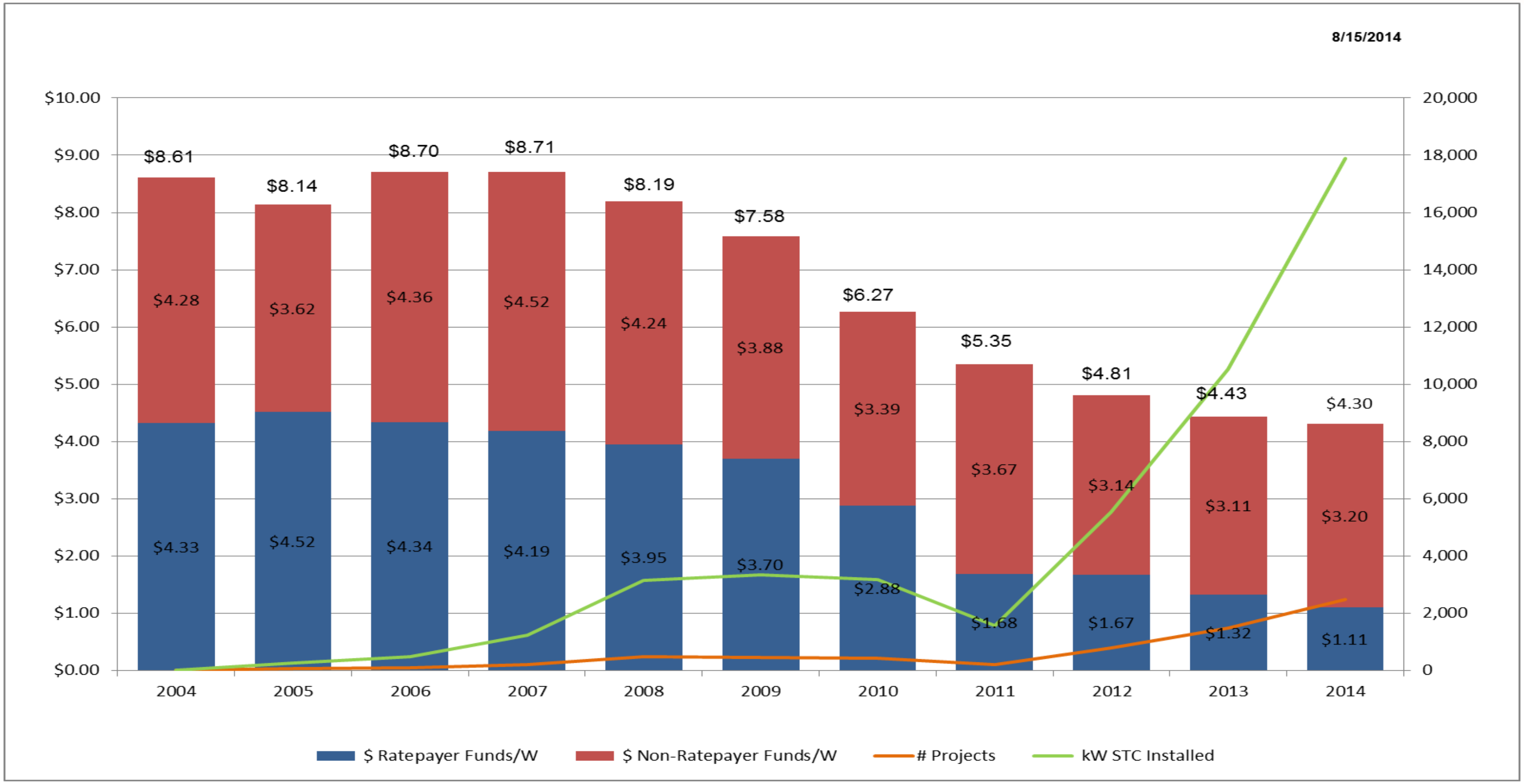

Achieved the legislative minimum target (30 MW) 8 years ahead of schedule (2022) and under budget

Residential Solar Investment Program
Benchmarking Progress In State

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	Through Step 4 of RSIP	Rounds 1 and 2 of ZREC Actual		
	RSIP	Small	Medium	Large
Clean Energy Deployed (MW_{STC})	33.4	26.5	29.9	29.4
Ratepayer Funds Expended ($)	$42,314,916	$61,657,718	$62,722,512	$57,431,170

RSIP is **doing more** clean energy deployment **with less** ratepayer resources than any class of the ZREC

Reference
Discount rate used is the rate of inflation or 3% for ZREC present value cost of ratepayer funds expended.

Residential Solar Investment Program
Rebates (Version 1.0)

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RPS Market (2014)

$150,000,000

RSIP

$9,000,000

Residential Solar Investment Program

RPS Market Intermediary (Version 2.0)

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RPS Market (2014)

$150,000,000

15-Year Contracts for Class I RECs from Residential Solar in CT

RSIP

$9,000,000

THE SHREC
Solar Home and Jobs Opportunity Act

- The Green Bank proposes the development of a Solar Home Renewable Energy Credit (SHREC) Program to continue the growth of RSIP.

- Similar to the LREC and ZREC Programs as it creates a fifteen year revenue stream from the sale of the SHRECs to the non-municipal utilities (i.e., CL&P and UI).

THE SHREC
Support Residential Ratepayers

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- **Provides much needed access to the RPS market to residential ratepayers who consume over 40 percent of electricity**
  - and therefore pay over 40% of the RPS policy compliance.
  - To date, Connecticut residential ratepayers have received little to no direct benefits from RECs sold into the RPS in comparison to commercial and industrial customers.

THE SHREC
Create Local Jobs

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- **In 2010, in-state renewable projects accounted for only 11% of Class I RPS standard.**
- **89% of the ratepayer investment in supporting renewable generation spent outside of the state.**
- **Connecticut does not receive the economic benefits (e.g., jobs) associated with in-state projects.**

THE SHREC – In a Nutshell
Addresses Shortages of Current Policy

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- **The SHREC:**
  - addresses these problems by minimizing the use of ratepayer funds with an established price ceiling (i.e., the ACP of the RPS) and a declining block schedule.
  - creates a new class of RECs that directly benefits our state without increasing the overall size of the RPS.
  - will foster the sustained, orderly development of a state-based solar industry and create jobs all in Connecticut.

OTHER LEGISLATIVE TOPICS

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- Community Clean Energy and / or Virtual Net Metering
- State Contracting Exemptions
- RGGI FIX
- Currently working with DEEP on valuing the benefits of Distributed Generation
- Technical Fix for EPBB

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Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #6
Legislative and Regulatory Commenting –
Green Bank level of our activism
October 15, 2014 (Regular Meeting)

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The Easy Ones…

- Anything impacting our enabling legislation
- New renewable and energy efficiency legislation related to financing
- PURA and DEEP proceedings related to renewable and energy efficiency financing
- Renewable energy permitting and interconnection fees
- Clean energy project and equipment tax exemption status

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The No's…

- Overall Energy Policy (ex., commenting on nuclear policy, transmission buildout plans). These are the items handled out of DEEP and coordinated with the administration. We should assist as requested.
- Natural Gas buildout
- Individual Project dockets where the Green Bank dollars are not at risk

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The Maybe's…

- Utility service fees (ex. CL&P's proposed fixed charge increase)
- New legislation related to clean energy (community solar, wind siting regulation, etc.)
- Submetering
- Net metering
- RGGI Funding
- Individual project dockets where the Green Bank dollars are planned but not deployed
- LREC/ZREC policy
- EPA Section 111(d) – Green House Gas Regulations and State Compliance through Green Banks

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Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #7
Review Bylaws and Joint Committee Bylaws
October 15, 2014 (Regular Meeting)

Joint Committee Status Update

Agenda Item #7

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- ACG Approved Revisions to Bylaws at Last Meeting to formalize its participation in the ECMB and Green Bank Joint Committee
- ECMB approved in September
- Board vote planned for October 17^{th}
- Upon approval, Joint Committee members will adopt bylaws for the governance of the joint committee

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Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #8
Expiring Board Member Appointments
October 15, 2014 (Regular Meeting)

Expiring Board Member Appointments
Agenda Item #7

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- 6/30/15:

  Patricia Wrice; Mun Choi; Tom Flynn; Matt Ranelli

- 9/12/15:

  John Harrity

- Staff will work with individual directors to determine their continued interest on being on the board and guide them through the process

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Audit, Compliance and Governance Committee of the Connecticut Green Bank

Agenda Item #9
Adjourn
October 15, 2014 (Regular Meeting)

AUDIT, COMPLIANCE AND GOVERNANCE COMMITTEE OF THE CONNECTICUT GREEN BANK
Draft Minutes – Special Meeting
Thursday, July 17, 2014

A special meeting of the Audit, Compliance and Governance Committee ("Audit Committee") of the Board of Directors of the **Connecticut Green Bank (the "Green Bank")** was held on July 17, 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: Matthew Ranelli, Chairperson of the Audit Committee, called the meeting to order at 9:06 a.m. Audit Committee members participating: Matthew Ranelli, John Harrity, and Patricia Wrice (by phone).

Staff Attending: George Bellas, Joe Buonannata, Mackey Dykes (by phone), Brian Farnen, Bryan Garcia, Bert Hunter (by phone), Madeline Priest, Cheryl Samuels.

Others Attending: Jason D. Newman – CohnReznick, Kimberly A. Stomper – CohnReznick, Anton Cohen – CohnReznick (by phone).

2. Public Comments: There were no public comments.

3. Approval of Minutes:

Mr. Ranelli asked the Audit Committee members to consider the minutes from the June 4, 2014 meeting.

> **Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adopting the minutes from the June 4, 2014 meeting as presented.**

4. Review and Recommendation to the Board of Directors of the Connecticut Green Bank for Approval of the Draft CT Solar Lease 2 LLC Financial Statements and Independent Auditor's Report:

Mr. Ranelli introduced the representatives of CohnReznick and invited them to deliver their presentation to the Audit Committee. Mr. Newman introduced himself as a Partner in the Farmington, Connecticut office of CohnReznick and the Regional Director of their Renewable Energy Industry Practice, Ms. Stomper introduced herself as the manager of the Farmington office, and Mr. Cohen introduced himself as the Concurring Review Partner of the Bethesda, Maryland office and the Co-National Director of their Renewable Energy Industry Practice.

Mr. Newman explained that their presentation would focus on three topics: (1) Required Communications, (2) the 2013 Audit Report, and (3) Areas for Future Consideration.

Regarding the Required Communications, Mr. Newman recognized and thanked Mr. Bellas and his team for their assistance in gathering and delivering the necessary information to CohnReznick.

Before moving forward, Attorney Farnen provided the Audit Committee with background information on CT Solar Lease 2 LLC as an entity.

Mr. Ranelli asked Mr. Bellas how the Green Bank carries CT Solar Lease 2 information on its books for the overall audit, to which Mr. Bellas answered that there is a separate set of financials for the entity that appear as a column of the overall budget. Attorney Farnen added that the Audit Committee is in charge of approving and making recommendations to the Board for approval of the full Green Bank budget, so it was decided that separate audits – such as this for CT Solar Lease 2 – should follow that same approval process. Mr. Bellas noted that this process was also presented to the Governmental Accounting Standards Board.

Mr. Newman continued his presentation, noting that CohnReznick had not come across any issues or difficulties while performing the audit. He reiterated a recommendation made to Mr. Bellas that the Green Bank should monitor AFC First Financial Corporation's user control considerations on a going forward basis. Mr. Ranelli asked about the frequency at which banks release such reports, to which Mr. Newman replied that annually or semiannually is common and acceptable. Mr. Bellas confirmed that the Green Bank would follow this recommendation.

Ms. Stomper presented the 2013 Audit Report. She reported that because CT Solar Lease 2 had very limited activity in 2013, the focus of their audit was more on understanding the structure of the entity and its related parties, financing sources and the classification of significant "up front" costs.

Regarding the audit report, Ms. Stomper noted that CohnReznick made a clean audit opinion, finding no issues. She explained that the notes section of the Financial Statements paints a clear picture of the CT Solar Lease 2 entity's structure for the reader.

Mr. Hunter described a payment that the Connecticut Green Bank must make to US Bank on an annual basis based on the difference between the funds they have committed to contribute under the CT Solar Lease 2 LLC Operating Agreement and those actually contributed. Mr. Ranelli asked for clarification on this and Mr. Hunter explained that because US Bank has committed a certain amount of funds to the Connecticut Green Bank for the CT Solar Lease, they cannot commit those moneys on any other project and therefore charge a fee if any go unused. Mr. Bellas confirmed that the first payment for this fee was made after the close of CT Solar Lease 2's year end.

Mr. Newman continued his presentation, identifying significant areas for future consideration as: revenue recognition, debt facility – record keeping requirements, depreciation, asset retire obligation, and management monitoring.

Mr. Hunter noted that while the level of activity for the year under audit was quite limited, CT Solar Lease 2's activity in the subsequent (i.e., the current) year is considerably more substantial and offered to walk CohnReznick through the Green Bank's schedules for monthly submission of CT Solar Lease projects to US Bank prior to the commencement of the audit of CT Solar Lease 2's financials for the year ending 12/31/14. Mr. Newman accepted, noting that moving forward, CohnReznick prefers to work through their audit on a more interim basis rather than all at once at year's end.

Mr. Harrity asked CohnReznick if, despite a seemingly complicated set-up, they still found the audit process of CT Solar Lease 2 LLC to be reasonable and responsible. Mr. Cohen responded in the affirmative, adding that the Connecticut Green Bank has a good system in place to track such a large pipeline of transactions and that there is a great team at the Green Bank.

Mr. Ranelli thanked the Green Bank staff for their work and welcomed a motion.

> **Upon a motion made by Mr. Harrity, seconded by Ms. Wrice, the Audit Committee members voted unanimously in favor of adopting the following resolution recommending to the Board of Directors of the Connecticut Green Bank approval of the CT Solar Lease 2 LLC Financial Statements and Independent Auditor's Report for the period of May 28, 2013 (Date of Inception) through December 31, 2013.**

<u>Resolution #2</u>**:**

WHEREAS, Article V, Section 5.3.1(ii) of the Connecticut Green Bank's Bylaws requires the Audit, Compliance, and Governance Committee (the "Committee") to meet with the auditors to review the annual audit and to formulate an appropriate report and recommendations to the Board with respect to the approval of the audit report.

NOW, therefore be it:

RESOLVED, that the Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the CT Solar Lease 2 LLC Financial Statements and Independent Auditor's Report for the period of May 28, 2013 (Date of Inception) through December 31, 2013.

5. **(a)** **<u>Review and Recommendation to the Board of Directors of the Connecticut Green Bank for Approval of the Revised Green Bank Bylaws for the Green Bank's Participation in the Joint Green Bank ECMB Committee and (b) Discuss the Draft Bylaws for the Joint Green Bank ECMB Committee</u>**

Attorney Farnen explained that there are currently two funds in Connecticut – the Clean Energy Fund (managed by the Connecticut Green Bank) and a fund managed by the Energy Conservation Management Board (the "ECMB"). He stated that the Green Bank and the Connecticut Energy Efficiency Fund ("CEEF") would like to revitalize a joint committee of the funds that was put in place in 2005 but lacked structure. Attorney Farnen highlighted the importance of the Green Bank's participation on this Joint Committee, particularly as the Green Bank and EEB offer similar products in a small market and we have increased our presence in energy efficiency under our new role as the Green Bank- an area that CEEF has historically been in the primary player.

He outlined the structure of the committee, stating that the Chairperson of the Board of Directors of the Connecticut Green Bank would appoint at least two (2) voting Directors and (2) nonvoting members to serve as the Green Bank's members of the Joint Committee. Attorney Farnen explained that those members will work with the Joint Committee to examine opportunities to coordinate as a required by the General Statutes, work with the Joint Committee to reduce the long-term cost, environmental impacts and security risks of energy in the state, and report to the Board on the Joint Committee's actions and activities.

He added that the fifth voting member of the Joint Committee would be the Commissioner of the Department of Energy and Environmental Protection, who currently serves on the Boards of both the Green Bank and CEEF.

Attorney Farnen explained to the Audit Committee that the Green Bank is requesting approval to revise its bylaws to make a formal reference to participation in the Joint Committee, as well as to update the bylaws with "Connecticut Green Bank" in place of "Clean Energy Finance and Investment Authority."

He noted that this recommendation would not go to the full Board of Directors of the Connecticut Green Bank until all of the details are confirmed with CEEF, adding that any fundamental changes would first be presented to the Audit Committee.

Mr. Harrity and Mr. Ranelli both expressed their support for the Green Bank's participation in the Joint Committee.

Upon a motion made by Ms. Wrice, seconded by Mr. Harrity, the Audit Committee members voted unanimously in favor of adopting the following resolution recommending approval of revisions to the Green Bank Bylaws as presented.

Resolution #3

WHEREAS, pursuant to Section 12-245m(d)(2) of the Connecticut General Statutes, there has been created the Joint Committee of the Energy Conservation Management Board and the Green Bank ("Joint Committee"); and

WHEREAS, the Green Bank desires to amend its Bylaws to formalize its participation in the Joint Committee.

NOW, therefore be it:

RESOLVED, that the Audit, Compliance, and Governance Committee hereby recommends to the Board of Directors of the Connecticut Green Bank approval of the revisions to the Green Bank Bylaws as presented to the Audit, Compliance and Governance Committee on July 17, 2014.

6. Adjournment: Upon a motion made by Mr. Harrity, seconded by Mr. Ranelli, the Audit Committee members voted unanimously in favor of adjourning the July 17, 2014 meeting at 10:01 a.m.

Respectfully submitted,

____

Matthew Ranelli, Chairperson of Audit,
Compliance and Governance Committee

DRAFT

CONNECTICUT GREEN BANK

(A Component Unit of the State of Connecticut)

REPORTING UNDER *GOVERNMENT AUDITING STANDARDS*
AND
REPORTING REQUIRED UNDER FEDERAL CIRCULAR OMB A-133

FOR THE YEAR ENDED JUNE 30, 2014

DRAFT

CONTENTS

DRAFT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Clean Energy Finance and Investment Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component units of the Connecticut Green Bank (a component unit of the State of Connecticut), as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Connecticut Green Bank's financial statements, and have issued our report thereon dated ________, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Connecticut Green Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Connecticut Green Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Connecticut Green Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these imitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Connecticut Green Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope and testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hartford, CT
_______, 2014

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Clean Energy Finance and Investment Authority

Report on Compliance for Each Major Federal Program

We have audited the Connecticut Green Bank's ("CGB") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CGB's major federal programs for the year ended June 30, 2014. CGB's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of CGB's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CGB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CGB's compliance.

DRAFT

Opinion on Each Major Federal Program

In our opinion, CGB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of CGB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CGB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CGB's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as finding #2014-1 that we consider to be a significant deficiency.

CGB's response to the internal control over compliance finding identified in our audit is contained in the accompanying management's response in this reporting package. CGB's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

DRAFT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of CGB as of and for the year ended June 30, 2014, and have issued our reported thereon dated ______, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose for forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Hartford, CT
__________, 2014

DRAFT

CONNECTICUT GREEN BANK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/ Program Title	CFDA Number	Expenditures
Department of Energy		
Passed Through by the State of Connecticut Department of Energy and Environmental Protection: State Energy Program (Recovery Act)	81.041	$ 537,683
Energy Efficiency and Conservation Block Grant Program (EECBG) (Recovery Act)	81.128	323,520
Energy Efficiency and Renewable Energy Cooperative Agreement (Energy Policy Act)	81.117	77,436
Total Expenditures of Federal Awards		$ 938,639

See Notes to Schedule of Expenditures of Federal Awards.

CONNECTICUT GREEN BANK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Connecticut Green Bank (CGB) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

NOTE 2 – CHANGE OF NAME

In June 2014, the Clean Energy Finance and Investment Authority (CEFIA) changed its name to the Connecticut Green Bank.

NOTE 3 – STATE ENERGY PROGRAM (RECOVERY ACT) #81.041

Included within the program's total federal expenditures is $X,XXX,XXX of funds set aside during 2014 under written agreements for loan-loss reserves and interest rate buy-down programs with banks which participate with CGB in financing of solar energy programs. The funds are committed to these loan-loss reserves and interest rate buy-downs for a period of fifteen years and are unavailable for any other use or purpose by CGB.

CONNECTICUT GREEN BANK

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes _x_ no
- Significant deficiency(ies) identified? ___ yes _x_ none reported

Noncompliance material to financial statements noted? ___ yes _x_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes _x_ no
- Significant deficiency(ies) identified? _x_ yes ___ none reported

Type of auditors' report issued on compliance for major programs: unmodified.

Any audit finding disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _x_ yes ___ no

Major Programs:

Funding Source	Program	CDFA No.
U.S. Department of Energy	State Energy Program (Recovery Act)	81.041
	Energy Efficiency and Conservation Block Grant (Recovery Act)	81.128

Dollar Threshold Used to Distinguish Type A and Type B Programs: $300,000

Qualification of Auditee as a Low-Risk Auditee: Yes

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SECTION II – SUMMARY OF FINDINGS RELATED TO FINANCIAL STATEMENTS REQUIRED UNDER GENERAL ACCEPTED *GOVERNMENT AUDITING STANDARDS*

- We issued reports, dated ________, 2014, on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

- Our report on compliance and other matters indicated no reportable instances of noncompliance.

- Our report on internal control over financial reporting indicated no material weaknesses.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #2014-1: Reporting - #84.041/#84.128

Criteria: Reports should be reviewed prior to submission by someone other than the preparer of those reports in order to insure completeness and accuracy over reporting.

Condition: CGB financial reporting is not subject to a documented review process prior to submissions. Internal control over a reporting process dictates that one individual should not be the preparer, reviewer, and submitter of required reports. Reviews by someone other than the preparer should be documented through either direct signoff or by electronic means, prior to submission.

Questioned Costs: None

Context and Cause: One individual prepares and then submits reports. At the time reports are filed with the Connecticut Department of Energy and Environmental Protection (DEEP) they are simultaneously submitted to various members of CGB management. Our test work disclosed no errors in reporting.

Effect: Without a review prior to the submission, errors in reporting could occur that otherwise might be identified and corrected timely.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Recommendation: All future reports should be reviewed prior to their submission by a designated member of management other than the preparer. Such review should be documented manually or through electronic means.

Views of Responsible Officials and Planned Corrective Action:

See management's response contained in this reporting package.

CONNECTICUT GREEN BANK

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2014

Finding #2013-1

Condition:	The reporting for June 30, 2013 for federal program #81.041 contained an incorrect amount for contractual outlay expenditures. Such report was not reviewed prior to its submission by someone other than the preparer.
Status:	Repeated as to the review process in finding #2014-1.

CONNECTICUT GREEN BANK
(A Component Unit of the State of Connecticut)

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2014
(With Summarized Totals for June 30, 2013)

CONNECTICUT GREEN BANK

DRAFT

CONTENTS

INTRODUCTORY SECTION

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CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

DATE

We are pleased to present a Comprehensive Annual Financial Report (CAFR) of the Connecticut Green Bank CGB for the fiscal years ending June 30, 2014 and 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose.

Marcum LLP has issued an X opinion on CGB's financial statements for the fiscal years ending June 30, 2014 and 2013. The independent auditor's report is presented in the financial section of this report. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. CGB's MD&A can be found immediately following the report of the independent auditors.

Profile of the Connecticut Green Bank

The CGB[1] was established by the Governor and Connecticut's General Assembly on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes the former Connecticut Clean Energy Fund. As the nation's first state "Green Bank", the CGB leverages public and private funds to drive investment and scale-up clean energy deployment in Connecticut.

Pursuant to Section 16-245n of the General Statutes of Connecticut, the powers of the CGB are vested in and exercised by a Board of Directors that is comprised of eleven voting and two non-voting members each with knowledge and expertise in matters related to the purpose of the organization.

The Board of Directors is governed through the statute, as well as an Ethics Statement and Ethical Conduct Policy, Resolutions of Purposes, Bylaws, and Comprehensive Plan.

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security and address climate change.

CGB's mission is to support the Governor's and Legislature's energy strategy to achieve cleaner, cheaper and more reliable sources of energy while creating jobs and supporting local economic development.

[1] Public Act 11-80 repurposed the Connecticut Clean Energy Fund (CCEF) administered by Connecticut Innovations, into a separate quasi-public organization called the Clean Energy Finance and Investment Authority (CEFIA). Per Public Act 14-94, CEFIA was renamed to the Connecticut Green Bank.

To achieve its vision and mission, the CGB has established the following three goals:

1. To attract and deploy capital to finance the clean energy[2] goals for Connecticut, including:

    a. Help Connecticut in becoming the most energy efficient state in the nation;
    b. Scale-up the deployment of renewable energy in Connecticut; and
    c. Provide support for the infrastructure needed to lead the clean energy economy.

2. To develop and implement strategies that bring down the cost of clean energy in order to make it more accessible and affordable to consumers.

3. To reduce reliance on grants, rebates, and other subsidies and move towards innovative low-cost financing of clean energy deployment.

These goals support the implementation of Connecticut's clean energy policies be they statutory (i.e., Public Act 11-80, Public Act 13-298), planning (i.e., Comprehensive Energy Strategy, Integrated Resources Plan), or regulatory in nature.

CGB's strategies for achieving these goals over the next two fiscal year is outlined in the FY15 and FY16 Comprehensive Plan[3]

Initiatives and Results

Deploying More Clean Energy, Creating Jobs, and Reducing Greenhouse Gas Emissions

Since the inception of the CGB, our efforts have focused on supporting the Governor's and Legislature's energy policy by using limited public resources to attract more private investment in clean energy in Connecticut. To that end, as a result of the efforts undertaken over the past three years, we are deploying more clean energy in our state than ever before – 66.3 MW in anaerobic digester, combined heat and power, fuel cell, solar PV, and wind resources. Connecticut's residence, businesses and institutions now have easier access to affordable capital to finance clean energy projects than ever before.

By using $100 million of ratepayer funds, we have attracted over $250 million of private investment in clean energy for a total investment of $350 million to support clean energy projects creating 2,478 jobs and reducing carbon emissions by nearly 583,000 tons . More importantly, rather than giving away ratepayer resources to support the sustainable growth and development of a thriving clean energy market in Connecticut, the CGB has transitioned from providing 100 percent of its resources as grants and subsidies to 40 percent by more responsibly managing public funds through loans. The CGB and its partners are working together to deploy more clean energy at a faster pace while using public resources more responsibly.

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[2] Public Act 11-80 defines "clean energy" broadly and includes familiar renewable energy sources such as solar photovoltaic, solar thermal, geothermal, wind and low-impact hydroelectric energy, but also includes fuel cells, energy derived from anaerobic digestion (AD), combined heat and power (CHP) systems, infrastructure for alternative fuels for transportation and financing energy efficiency projects.

[3] http://www.ctcleanenergy.com/Portals/0/CEFIA%20FY15%20and%20FY16%20Comprehensive%20Plan.pdf

Delivering on the Promise – Connecticut Green Bank is Working for You

In only a couple of years, the CGB has demonstrated how public resources can be better invested in ways that attract private investment, lead to the deployment of more clean energy, and most importantly providing positive value to consumers. Consumers are benefiting through our financing programs that offer lower cost and longer terms enabling them to immediately receive positive economic benefits from clean energy – the energy savings exceed the debt service payments. Businesses and non-profit organizations are using C-PACE to lower their energy expenses by installing more efficient boilers and renewable energy systems, replacing windows, integrating energy management systems, and more. Households are taking advantage of the CT Solar Lease, CT Solar Loan, and EnergizeCT Smart-E Loan to reduce their energy budget by converting to natural gas, installing solar photovoltaic systems, insulating their walls and attic, and more.

As we continue to learn more event day about your challenges, we are confident that we can deliver you solutions – and in so doing, we not only stimulate the growth of clean energy, but we also strengthen our economy and protect our environment.

Setting an Example for the Country – The Green Bank Model at Work

This year, we have seen the results of the CGB model and its programs take hold in states across the country. Not only are we delivering results for Connecticut, but the actions that we are taking are causing other states to take note and follow our lead.

- Connecticut co-hosted with the Brookings Institution and the Coalition for Green Capital, the first Green Bank Academy in Washington, DC that brought together ten states to discuss the CGB model. Our neighbors to the south – New Jersey and New York – have since created green banks within their states,[4] and our friends out west in California and Hawaii are pursuing similar models. Federal legislation called the "Green Bank Act of 2014" was even introduced in the House[5] by Congressman Van Hollen and Senate[6] by Senators Murphy and Blumenthal to create a $50 billion U.S. Green Bank modelled after Connecticut. President Obama even called out the leadership of the Connecticut Green Bank.[7]

- Connecticut is the first state to use its cap-and-trade revenues from the Regional Greenhouse Gas Initiative (RGGI) to successfully securitize a pool of commercial and industrial energy efficiency and renewable energy transactions through the Commercial Property Assessed Clean Energy (C-PACE) program. By using greenhouse gas allowance revenues through RGGI to support C-PACE, we are able to attract more private capital investment in Connecticut's communities in order to deliver 40 to 50 percent energy savings in buildings – making our businesses more competitive by lowering energy costs.

These are but a few examples where the CGB model has become a catalyst to releasing more private investment in clean energy across the country.

[4] New Jersey Resilience Bank and the New York Green Bank

[5] H.R. 4522

[6] S. 2271

[7] The Wall Street Journal in "Goldman's Cleantech Activities Receive a Presidential Shout Out" (May 9, 2014)

Economic Conditions and Developments

CGB receives funding through a number of sources, including a Systems Benefit Charge, the Regional Greenhouse Gas Initiative (RGGI), renewable energy certificate (REC) sales and the federal government. CGB's predecessor organization's programs were all structured as grants, which meant the funds were spent with no expectation of return. This model put the organization at the mercy of these funding streams which, while reliable, are largely determined by activities outside of our control such as levels of state electricity use and RGGI allowance prices. With the transition to a new financing model, CGB is able to invest its funds in activities that earn a return and begin to build revenue streams that can be reinvested in clean energy.

Acknowledgements

First and foremost, we would like to thank the entire CGB staff. In just three short years, through their hard work, dedication and innovation, they have built a model that is delivering results and making Connecticut a focus of attention at the national and international levels.

The preparation of this report would not have been possible without the dedicated work of the Finance and Accounting team. We thank them for their hard work.

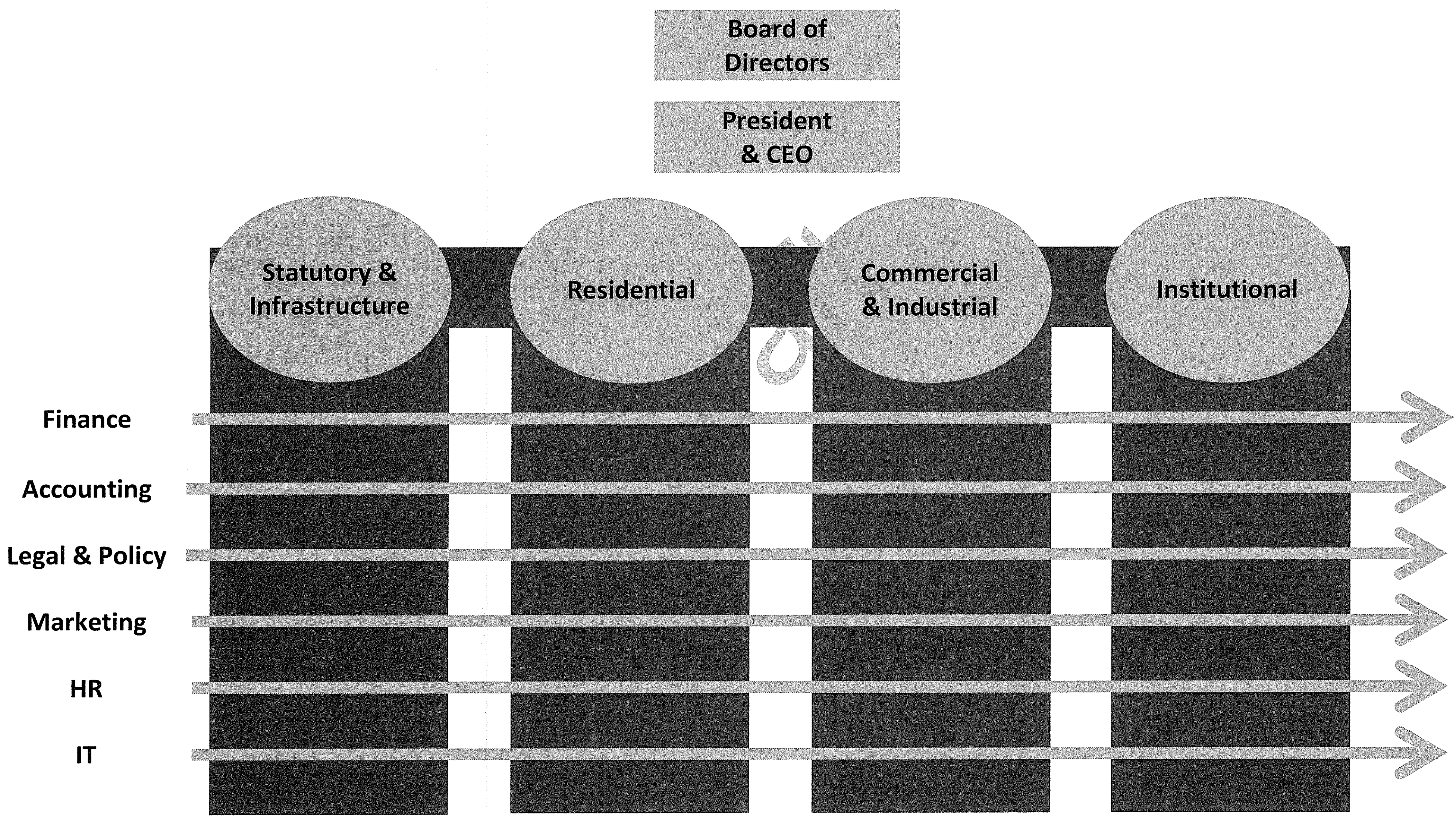
We are grateful to our independent auditors, Marcum LLP, for their assistance and advice during the course of this audit.

Finally, we thank the Board of Directors for their continued leadership and guidance as the GCB continues to prove the Green Bank model and deliver cleaner, cheaper, and more reliable energy to Connecticut.

Respectfully submitted,

Bryan Garcia
President and CEO

Organizational Chart



Board of Directors

Position	Status	Voting	Name	Organization
State Treasurer (or designee)	Ex Officio	Yes	Bettina Ferguson	Treasurer's Office
Commissioner of DEEP[8] (or designee)	Ex Officio	Yes	Robert Klee[9]	DEEP
Commissioner of DECD[10] (or designee)	Ex Officio	Yes	Catherine Smith[11]	DECD
Residential or Low Income Group	Appointed	Yes	Pat Wrice	Operation Fuel
Investment Fund Management	Appointed	Yes	Norma Glover	NJG Associates
Environmental Organization	Appointed	Yes	Matthew Ranelli[12]	Shipman & Goodwin
Finance or Deployment	Appointed	Yes	Thomas Flynn	Environmental Data Resources
Finance of Renewable Energy	Appointed	Yes	Reed Hundt[13]	Coalition for Green Capital
Finance of Renewable Energy	Appointed	Yes	Kevin Walsh	GE Energy Financial Services
Labor	Appointed	Yes	John Harrity	IAM Connecticut
R&D or Manufacturing	Appointed	Yes	Mun Choi	University of Connecticut
President of the Green Bank	Ex Officio	No	Bryan Garcia	Connecticut Green Bank
Board of Connecticut Innovations[14]	Ex Officio	No	(unfilled)	(unfilled)

[8] Department of Energy and Environmental Protection
[9] Vice Chairperson of the Board of Directors and Chairperson of the Budget and Operations Committee
[10] Department of Economic and Community Development
[11] Chairperson of the Board of Directors
[12] Secretary of the Board of Directors and Chairperson of the Audit, Compliance and Governance Committee
[13] Chairperson of the Deployment Committee
[14] It should be noted that several members of the Board of Directors of the Green Bank currently serve on the Board of Directors of Connecticut Innovations, including Mun Choi and Catherine Smith.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Connecticut Green Bank

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the Connecticut Green Bank (CGB) (a component unit of the State of Connecticut) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise CGB's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Connecticut Green Bank as of June 30, 2014, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement of Net Position

As described in Note 1, net position of the total reporting entity and a discretely presented component unit has been restated at July 1, 2013 to reflect the capitalization of certain costs related to financing activities as well as a reclassification of a liability to net position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Information

The financial statistical section and other statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Matter – 2013 Financial Information

As described in Note 1, the financial statements include prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. This information has been derived from CGB's 2013 complete financial statements on which our audit report dated December 23, 2013 expressed unmodified opinions on the primary government and its discretely presented component units. Accordingly, such information should be read in conjunction with CGB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _______, 2014, on our consideration of the Connecticut Green Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Connecticut Green Bank's internal control over financial reporting and compliance.

Hartford, CT
_____________, 2014

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Connecticut Green Bank, formerly known as the Clean Energy Finance and Investment Authority, (CGB) (a component unit of the State of Connecticut) for the fiscal years ended June 30, 2014, 2013, and 2012. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements included in the "Financial Statements" section of this report.

CBG as a reporting entity is comprised of the primary government and two discretely presented component units as defined under Government Auditing Standards Board Statement 61.

Financial Statements Presented in this Report

One June 6, 2014 Public Act 14-94 of the State of Connecticut changed the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank.

CGB is a quasi-public agency of the State of Connecticut established on July 1, 2011 by Section 16-245n of the Connecticut General Statutes, created for the purposes of, but not limited to: (1) implementing the Comprehensive Plan developed by CGB pursuant to Section 16-245n(c) of the Connecticut General Statutes, as amended; (2) developing programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects, and such others as CGB may determine; (3) supporting financing or other expenditures that promote investment in clean energy sources to foster the growth, development and commercialization of clean energy resources and related enterprises; and (4) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end-use customers in the state. CGB constitutes the successor agency to Connecticut Innovations for the purposes of administering the clean energy fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CGB as of July 1, 2011.

The financial statements include: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a measure of CGB's economic resources. The Statement of Revenues, Expenses and Changes in Net Position measures the transactions for the periods presented and the impact of those transactions on the resources of CGB. The Statement of Cash Flows reconciles the changes in cash and cash equivalents with the activities of CGB for the periods presented. The activities are classified as to operating, noncapital financing, capital and related financing, and investing activities.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

FINANCIAL HIGHLIGHTS OF FISCAL 2014

NET POSITION

Net position increased by $17.0 million to $115.1 million at June 30, 2014 and cash and cash equivalents increased by $3.2 million in 2014 to $80.9 million.

Other assets are composed primarily of utility customer assessment receivables and RGGI auction receivables. The promissory note portfolio of $11.2 million as of June 30, 2013 and $11.7 million as of July 1, 2012 funded a residential photovoltaic equipment lease program which ended during 2012.

As of June 30, 2014, the Board of Directors designated $63.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 13. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional $34 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2014 and 2013 (in thousands):

	2014	2013	Increase (Decrease)
Cash and cash equivalents	$ 80,872	$ 77,642	$ 3,230
Bonds receivable	1,600	--	1,600
Portfolio investments	1,000	4,788	(3,788)
Promissory notes	23,947	11,240	12,707
Other assets	13,070	6,320	6,750
Total Assets	120,489	99,990	20,499
Current liabilities	4,761	1,816	2,945
Deferred revenue	469	--	469
Long term debt, less current maturities	120	--	120
Total Liabilities	5,350	1,816	3,534
Invested in capital assets	3,074	362	2,712
Restricted Net Position:			
Non-expendable	--	--	--
Restricted - energy programs	8,144	8,144	--
Unrestricted	103,921	89,668	14,253
Total Net Position	$ 115,139	$ 98,174	$ 16,965

CHANGES IN NET POSITION

Revenue from interest on cash deposits and promissory notes increased $455 thousand to $1.14 million in 2014. CGB received $20.1 million from the State in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2014 were $23.7 million, an increase of $94 thousand from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee.

General and administrative expenses increased by $696 thousand from $1.8 million to $2.5 million.

The following table summarizes the changes in net position between June 30, 2014 and 2013 (in thousands):

	2014	2013	Increase (Decrease)
Revenues	$ 49,054	$ 43,343	$ 5,711
Operating Expenses			
Provision for loan losses	1,311	--	1,311
Grants and programs	23,729	23,635	94
General and administrative expense	2,507	1,811	696
Total Operating Expenses	27,547	25,446	2,101
Operating Income	21,507	17,897	3,610
Non-Operating Revenues (Expenses)			
Interest earned	1,142	688	454
Net change in unrealized appreciation in fair value of investments	350	378	(28)
Net realized (loss) gain on investments	(350)	(1,035)	685
Capital contribution	201	238	(37)
Distribution to member	(12)	--	(12)
Payments to State of Connecticut	(6,200)	--	(6,200)
Net Change	$ 16,638	$ 18,166	$ (1,528)

FINANCIAL HIGHLIGHTS OF FISCAL 2013

NET POSITION

Net position increased by $18.2 million to $98.2 million at June 30, 2013 and cash and cash equivalents increased by $4.4 million in 2013 to $77.6 million. Cash increased primarily as a result of greater than expected proceeds received from Regional Greenhouse Gas Initiative (RGGI) auctions and a reduction in grant activity and CEFIA's transition to a financing model as opposed to grant model to fund renewable energy and energy efficiency projects.

Other assets are composed primarily of utility customer assessment receivables and RGGI auction receivables. The promissory note portfolio of $11.2 million as of June 30, 2013 and $11.7 million as of July 1, 2012 funded a residential photovoltaic equipment lease program which ended during 2012.

As of June 30, 2013, the Board of Directors designated $24.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 8. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional $33.8 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2013 and 2012 (in thousands):

	2013	2012	Increase (Decrease)
Cash, certificates of deposit	$ 77,642	$ 73,214	$ 4,428
Portfolion investments	4,788	2,155	2,633
Promissory notes	11,240	11,736	(496)
Other assets	6,320	5,071	1,249
Total Assets	99,990	92,176	7,814
Current liabilities	1,816	2,625	(809)
Deferred revenue	--	8,363	(8,363)
Total Liabilities	1,816	10,988	(9,172)
Invested in capital assets	362	91	271
Restricted Net Position:			
Non-expendable	--	--	--
Restricted - energy programs	8,144	177	7,967
Unrestricted	89,668	80,921	8,747
Total Net Position	$ 98,174	$ 81,189	$ 16,985

CHANGES IN NET POSITION

Revenue from interest on cash deposits and solar lease notes decreased $42 thousand to $687 thousand in 2013. Interest on short-term investments and cash deposits decreased due to the changes in interest rates. CEFIA received $4.7 million from the State in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2013 were $23.6 million, a decrease of $7.5 million from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. In addition, CEFIA is transitioning to primarily a financing model as opposed to primarily issuing grants to fund renewable energy and energy efficiency projects.

General and administrative expenses increased by $0.4 million from $1.4 million to $1.8 million.

The net loss of $657,000 in investments represents write offs of investments previously reserved for and adjustments to the valuation of equity and debt investments currently held.

The following table summarizes the changes in net position between June 30, 2013 and 2012 (in thousands):

	2013	2012	Increase (Decrease)
Revenues	$ 43,343	$ 39,754	$ 3,589
Operating Expenses			
Grants and programs	23,635	31,122	(7,487)
General and administrative expense	1,811	1,388	423
Total Operating Expenses	25,446	32,510	(7,064)
Operating Income	17,897	7,244	10,653
Interest earned	687	729	(42)
Net change in unrealized appreciation in fair value of investments	378	435	(57)
Net realized (loss) gain on investments	(1,035)	--	(1,035)
Capital Contribution	238	--	238
Net Change in Net Position	$ 18,165	$ 8,408	$ 9,757

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CGB's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Finance and Administration, 845 Brook Street, Rocky Hill, Connecticut 06067.

CONNECTICUT GREEN BANK

STATEMENTS OF NET POSITION

JUNE 30, 2014
(With Summarized Totals for June 30, 2013)

	Primary Government	Discretely Presented Component Units: CT Solar Lease 2 LLC	Discretely Presented Component Units: CEFIA Solar Services, Inc.	Eliminations	2014 Total Reporting Entity	2013 Total Reporting Entity
Assets						
Current Assets						
Cash and cash equivalents	$ 70,113,857	$ 1,244,796	$ 123	$ --	$ 71,358,776	$ 68,105,014
Accounts receivable	4,547,770	--	--	--	4,547,770	1,940,835
Utility customer assessments receivable	3,402,401	--	--	--	3,402,401	2,604,826
Other receivables	355,405	--	120,000	(120,000)	355,405	--
Due from component units	10,265,044	--	--	(10,265,044)	--	--
Prepaid expenses and other assets	126,307	34,449	--	--	160,756	194,056
Current portion of Solar lease notes	766,086	--	--	--	766,086	704,032
Total Current Assets	89,576,870	1,279,245	120,123	(10,385,044)	80,591,194	73,548,763
Noncurrent Assets						
Portfolio investments	1,000,000	--	--	--	1,000,000	4,788,094
Bonds receivable	1,600,000	--	--	--	1,600,000	--
Solar lease notes, less current portion	9,778,315	--	--	--	9,778,315	10,536,136
Program loans, less current portion	6,500,222	--	--	--	6,500,222	--
C-PACE loans, less current portion	6,902,682	--	--	--	6,902,682	--
Renewable energy credits	1,069,390	--	--	--	1,069,390	1,217,491
Investment in component units	100	--	4,794,801	(4,794,901)	--	--
Deferred financing fees, net	--	458,883	--	--	458,883	--
Capital assets, net of depreciation and amortization	289,932	3,538,975	--	(754,570)	3,074,337	362,505
Restricted assets:						
Cash and cash equivalents	5,013,715	4,500,000	--	--	9,513,715	9,536,656
Total Noncurrent Assets	32,154,356	8,497,858	4,794,801	(5,549,471)	39,897,544	26,440,882
Total Assets	$ 121,731,226	$ 9,777,103	$ 4,914,924	$ (15,934,515)	$ 120,488,738	$ 99,989,645

The accompanying notes are an integral part of these financial statements.

CONNECTICUT GREEN BANK

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2014
(With Summarized Totals for June 30, 2013)

		Discretely Presented Component Units			2014	2013
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations	Total Reporting Entity	Total Reporting Entity
Liabilities and Net Position						
Liabilities						
Current maturities of long-term debt	$ 6,280	$ --	$ --	$ --	$ 6,280	$ --
Accounts payable and accrued expenses	3,711,694	314,678	--	(120,000)	3,906,372	1,422,898
Due to primary government	--	5,459,343	4,805,701	(10,265,044)	--	--
Due to outside agency	439,643	--	--	--	439,643	--
Custodial liability	408,979	--	--	--	408,979	393,000
Deferred revenue	58,000	411,009	--	--	469,009	--
Total Current Liabilities	4,624,596	6,185,030	4,805,701	(10,385,044)	5,230,283	1,815,898
Long-term debt, less current maturities	119,808	--	--	--	119,808	--
Total Liabilities	4,744,404	6,185,030	4,805,701	(10,385,044)	5,350,091	1,815,898
Net Position						
Invested in capital assets	289,932	3,538,975	--	(754,570)	3,074,337	362,505
Restricted net position						
Non-expendable	1,000	4,793,801	100	(4,794,901)	--	1,000
Restricted - energy programs	8,143,655	--	--	--	8,143,655	8,143,655
Unrestricted (deficit)	108,552,235	(4,740,703)	109,123	--	103,920,655	89,666,587
Total Net Position	116,986,822	3,592,073	109,223	(5,549,471)	115,138,647	98,173,747
Total Liabilities and Net Position	$ 121,731,226	$ 9,777,103	$ 4,914,924	$ (15,934,515)	$ 120,488,738	$ 99,989,645

The accompanying notes are an integral part of these financial statements.

CONNECTICUT GREEN BANK

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2014
(With Summarized Totals for the Year Ended June 30, 2013)

		Discretely Presented Component Units			2014	2013
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations	Total Reporting Entity	Total Reporting Entity
Operating Revenue						
Utility customer assessments	$ 27,779,345	$ --	$ --	$ --	$ 27,779,345	$ 27,621,409
Grant revenue	621,642	--	--	--	621,642	10,035,250
RGGI Auction income	20,074,668	--	--	--	20,074,668	4,744,657
Energy sytem sales	3,548,840	--	--	(3,548,840)	--	--
Other income	576,788	1,770	120,000	(120,000)	578,558	941,777
Total Operating Revenue	52,601,283	1,770	120,000	(3,668,840)	49,054,213	43,343,093
Operating Expenses						
Cost of goods sold	2,794,270	--	--	(2,794,270)	--	--
Provision for loan losses	1,310,933	--	--	--	1,310,933	--
Grants and program expenditures	23,248,679	600,186	--	(120,000)	23,728,865	23,634,465
General and administrative expenses	2,368,712	127,511	10,877	--	2,507,100	1,811,227
Total Operating Expenses	29,722,594	727,697	10,877	(2,914,270)	27,546,898	25,445,692
Operating Income (Loss)	22,878,689	(725,927)	109,123	(754,570)	21,507,315	17,897,401
Nonoperating Income (Expenses)						
Interest income - promissory notes	571,396	8,642	--	--	580,038	583,575
Interest income - short term cash deposits	551,393	--	--	--	551,393	103,928
Interest income - component units	67,958	--	--	(57,407)	10,551	--
Interest expense - component units	--	(57,407)	--	57,407	--	--
Realized loss on investments	(350,000)	--	--	--	(350,000)	(1,034,605)
Unrealized gain on investments	349,999	--	--	--	349,999	378,059
Total Nonoperating Income (Expenses)	1,190,746	(48,765)	--	--	1,141,981	30,957
Income (Loss) Before Payments to State of Connecticut and Capital Contributions (Distributions)	24,069,435	(774,692)	109,123	(754,570)	22,649,296	17,928,358
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)	--
Capital contributions	--	1,496,135	--	(1,294,801)	201,334	237,594
Distributions to member	--	(12,584)	--	--	(12,584)	--
Change in Net Position	17,869,435	708,859	109,123	(2,049,371)	16,638,046	18,165,952
Net Position - Beginning of Year	99,117,387	2,883,214	100	(3,500,100)	98,500,601	80,007,795
Net Position - End of Year	$ 116,986,822	$ 3,592,073	$ 109,223	$ (5,549,471)	$ 115,138,647	$ 98,173,747

The accompanying notes are an integral part of these financial statements.

CONNECTICUT GREEN BANK

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014
(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units: CT Solar Lease 2 LLC	Discretely Presented Component Units: CEFIA Solar Services Inc.	2014 Total Reporting Entity	2013 Total Reporting Entity
Cash Flows from Operating Activities					
Utility ratepayer assessments	$ 26,992,610	$ --	$ --	$ 26,992,610	$ 27,597,453
Grants	700,766	--	--	700,766	2,015,677
RGGI auctions	17,520,889	--	--	17,520,889	3,529,080
Other income	581,435	1,331	--	582,766	440,533
Lease prepayment	6,092	445,247	--	451,339	--
Organizational expenses	--	--	--	--	(1,130,223)
Grant and program expenditures	(7,829,672)	(378,302)	--	(8,207,974)	(24,632,056)
Grants, incentives and credit enhancements	(13,313,611)	--	--	(13,313,611)	--
General and administrative expenditures	(2,337,237)	(6,361)	(10,877)	(2,354,475)	(1,880,994)
Net Cash Provided by (Used in) Operating Activities	22,321,272	61,915	(10,877)	22,372,310	5,939,470
Cash Flows from Non-Capital Financing Activities					
Transfer from State of Connecticut	(6,200,000)	--	--	(6,200,000)	--
Advances to CEFIA component units	(2,089,552)	--	--	(2,089,552)	--
Advances from CEFIA and component units	783,850	--	1,305,701	2,089,551	--
Net Cash Provided from Non-Capital Financing Activities	(7,505,702)	--	1,305,701	(6,200,001)	--
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(79,713)	--	--	(79,713)	(281,654)
Proceeds from long-term debt	122,463	--	--	122,463	--
Capital contributions from component units	--	1,294,701	(1,294,701)	--	--
Capital contributions from Firststar Development, LLC	--	201,434	--	201,434	237,594
Return of capital to Firststar Development, LLC	--	(12,584)	--	(12,584)	--
Net Cash (Used in) Provided by Capital and Related Financing Activities	42,750	1,483,551	(1,294,701)	231,600	(44,060)

The accompanying notes are an integral part of these financial statements.

CONNECTICUT GREEN BANK

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2014
(With Summarized Totals for the Year Ended June 30, 2013)

	Primary Government	Discretely Presented Component Units: CT Solar Lease 2 LLC	Discretely Presented Component Units: CEFIA Solar Services Inc.	2014 Total Reporting Entity	2013 Total Reporting Entity
Cash Flows from Investing Activities					
Return of principal on investments	$ 7,022,954	$ --	$ --	$ 7,022,954	$ 663,488
CPACE program loan disbursements	(14,752,595)	--	--	(14,752,595)	--
Grid Tied program loan disbursements	(2,375,000)	--	--	(2,375,000)	--
Operational Demo program loan disbursements	442,257	8,642	--	450,899	--
Interest on short-term investments and cash deposits	--	--	--	--	116,831
Interest on solar lease notes	--	--	--	--	583,942
Program loan disbursements	--	--	--	--	(2,831,596)
Sales of energy systems	715,768	(715,768)	--	--	--
AD/CHP program loan disbursements	(150,000)	--	--	(150,000)	--
Alpha/Operational Demo program loan disbursements	(516,200)	--	--	(516,200)	--
Energy Efficiency program loan disbursements	(75,000)	--	--	(75,000)	--
Campus Efficiency NOW program loan disbursements	(315,668)	--	--	(315,668)	--
Residential Solar Lease program disbursements	(1,656,995)	--	--	(1,656,995)	--
Residential Solar Loan program disbursements	(805,484)	--	--	(805,484)	--
Net Cash (Used in) Investing Activities	(12,465,963)	(707,126)	--	(13,173,089)	(1,467,335)
Net Increase in Cash and Cash Equivalents	2,392,357	838,340	123	3,230,820	4,428,075
Cash and Cash Equivalents - Beginning	72,735,215	4,906,456	--	77,641,671	73,213,595
Cash and Cash Equivalents - Ending	$ 75,127,572	$ 5,744,796	$ 123	$ 80,872,491	$ 77,641,670

The accompanying notes are an integral part of these financial statements.

CONNECTICUT GREEN BANK

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2014
(With Summarized Totals for the Year Ended June 30, 2013)

		Discretely Presented Component Units		2014	2013
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services Inc.	Total Reporting Entity	Total Reporting Entity
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income (loss)	$ 22,878,689	$ (725,927)	$ 109,123	$ 22,261,885	$ 16,716,987
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	112,663	--	--	112,663	79,364
Changes in operating assets and liabilities:					
Receivables, notes, renewable credits	(4,874,773)	(4,032,307)	(1,294,701)	(10,201,781)	(1,117,501)
Accounts payable, accrued expenses, deferred revenue and due to related parties	4,204,869	4,820,149	1,174,701	10,199,719	(9,739,380)
Net Cash Provided by (Used in) Operating Activities	$ 22,321,448	$ 61,915	$ (10,877)	$ 22,372,486	$ 5,939,470

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Connecticut Green Bank (CGB) was established in July 2011 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut as the successor entity of the Connecticut Clean Energy Fund. CGB, a component unit of the State of Connecticut, was created to promote energy efficiency and investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end-use customers in the State. CGB constitutes the successor agency to Connecticut Innovations Incorporated (CI), a quasi-public agency of the State of Connecticut, for the purposes of administering the Clean Energy Fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CGB as of July 1, 2011. Pursuant to Connecticut General Statute 4-38f, CGB is within CI for administrative purposes only.

On June 6, 2014 Public Act 14-94 of the State of Connecticut changed the name of the Clean Energy Finance and Investment Authority to the Connecticut Green Bank.

RESTATEMENT OF NET POSITION

A discretely component unit and total reporting entity net position have been restated as of June 30, 2013 to reflect the capitalization of certain previously expensed financing costs associated with securing a line of credit and a reclassification of previously reported liability to equity. The effects of the above restatements as of June 30, 2013 are as follows:

	CT Solar Lease 2, LLC	Total Reporting Entity
Net position - June 30, 2013 (originally reported)	$ (943,544)	$ 98,173,747
Capitalization of financing costs	326,758	326,854
Reclassification of liability	3,500,000	--
Net position - July 1, 2013 (as restated)	$ 2,883,214	$ 98,500,601

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PRIOR-PERIOD SUMMARIZED FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CGB's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

PRINCIPLE REVENUE SOURCES

The Public Utility Regulatory Authority (PURA) assesses a charge per kilowatt-hour to each end-use customer of electric services in the state, which is paid to CGB and is the principal source of CGB's revenue. CGB may deploy the funds for grants, direct or equity investments, contracts or other actions that support energy efficiency projects and research, development, manufacture, commercialization, deployment and installation of renewable energy technologies.

CGB also received payments from the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects through CGB's CPACE program.

REPORTING ENTITY

CGB, as the primary government, follows the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 61 (*The Financial Reporting Entity Omnibus – an Amendment of GASB Statements No. 14 and No. 34*) (the Statement) regarding presentation of component units. The Statement modifies certain requirements for including component units in the reporting entity, either by blending (recording their amounts as part of the primary government), or discretely presenting them (showing their amounts separately in the reporting entity's financial statements). To qualify as a blended component unit, the unit must meet one of the following criteria: (1) have substantively the same governing body as that of the primary government, and either (A) a financial benefit or burden relationship exists between the unit and the primary government, or (B) management of the primary government (below the level of the governing body) has operational responsibility of the unit; (2) the unit provides services or benefits exclusively or almost exclusively to the primary government; or (3) the unit's total debt outstanding, including leases, is expected to be repaid by resources of the primary government. A unit which fails to meet the substantively the same governing requirement may still be included as a discretely presented component unit, if the primary government has appointed the voting majority of the component unit's governance or met other criteria specified in the Statement such as whether or not it would be misleading were the entity to be excluded.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CGB established four legally separate for-profit entities whose collective purpose, at the present time, is to administer the CGB's solar energy programs. CGB believes to exclude any of the entities from these financial statements would be misleading. Each entity is listed below, along with whether it is included as a blended component unit (blended) or qualifies as a discretely presented component unit (discrete) within these financial statements based on the criteria previously described.

CEFIA Holdings LLC (blended)

A Connecticut limited liability corporation (LLC), 99% owned by CGB (1% owned by CI), established to fund a portfolio of residential solar loans and, through its CT Solar Lease 2 program, to enable investment in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities (the "End Users"). CEFIA Holdings LLC acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the End Users. CEFIA Holdings LLC is also responsible for procuring insurance for the solar assets, operation and maintenance services as well as warranty management services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC, to which CEFIA Holdings LLC sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 LLC administers the portfolio of projects with the assistance of AFC First Financial Corporation.

CEFIA Solar Loan I LLC (blended)

A limited-liability corporation, wholly-owned by CEFIA Holdings LLC, established to make loans to residential property owners for the purposes of installing solar photovoltaic equipment.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CEFIA Solar Services, Inc. (discrete)

A Connecticut corporation, 100% owned by CEFIA Holdings LLC, established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and solar thermal equipment and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC. CEFIA Solar Services, Inc. has a one percent ownership interest in CT Solar Lease 2 LLC and is the managing member of the entity responsible for performing all management and operational functions pursuant to the Operating Agreement of CT Solar Lease 2 LLC.

CT Solar Lease 2 LLC (discrete)

A Connecticut limited-liability corporation that acquires title to the residential and commercial solar projects from the developer, CEFIA Holdings LLC, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners repayment to CT Solar Lease 2 LLC of the installation funds advance, as well as revenue earned from production-based incentives. CT Solar Lease 2 LLC is owned ninety-nine percent (99%) by Firstar Development, LLC, a Delaware limited liability company, as the Investor Member and one percent (1%) by CEFIA Solar Services Inc., as the Managing Member.

Advances between the primary government (CGB) and its component units, or between the component units themselves, involved establishment of funds to provide for loan loss reserves as well as pay certain organizational costs. Advances were eliminated in preparing the combining and reporting entity financial statements.

Condensed combining information for the primary government (CGB) and its two blended component units (CEFIA Holdings LLC and CEFIA Solar Loan I LLC) is presented as follows:

CONNECTICUT GREEN BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014
(With Summarized Totals for the Year Ended June 30, 2013)

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
Assets					
Current Assets					
Cash and cash equivalents	$ 69,659,563	$ 200,740	$ 253,554	$ --	$ 70,113,857
Accounts receivable	4,547,770	--	--	--	4,547,770
Utility customer assessments receivable	3,402,401	--	--	--	3,402,401
Other receivables	355,405	--	--	--	355,405
Due from component units	6,742,472	--	10,181,422	(6,658,850)	10,265,044
Prepaid expenses and other assets	124,580	1,727	--	--	126,307
Current portion of Solar Lease notes	766,086	--	--	--	766,086
Total Current Assets	85,598,277	202,467	10,434,976	(6,658,850)	89,576,870
Noncurrent Assets					
Portfolio investments	1,600,000	--	--	--	1,600,000
Bonds receivable	1,000,000	--	--	--	1,000,000
Solar Lease Notes, less current portion	9,778,315	--	--	--	9,778,315
Program loans, less current portion	5,719,886	780,336	--	--	6,500,222
CPACE loans, less current portion	6,902,682	--	--	--	6,902,682
Renewable Energy Credits	1,069,390	--	--	--	1,069,390
Investment in component units	2,712,420	--	100	(2,712,420)	100
Deferred financing fees, net	--	--	--	--	--
Capital assets, net of depreciation and amortization	289,932	--	--	--	289,932
Restricted assets:					
Cash and cash equivalents	4,713,715	300,000	--	--	5,013,715
Total Noncurrent Assets	33,786,340	1,080,336	100	(2,712,420)	32,154,356
Total Assets	$ 119,384,617	$ 1,282,803	$ 10,435,076	$ (9,371,270)	$ 121,731,226

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION (CONTINUED)

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
Liabilities and Net Position					
Liabilities					
Current maturities of long-term debt	$ --	$ 6,280	$ --	$ --	$ 6,280
Accounts payable and accrued expenses	2,566,620	10,323	1,134,751	--	3,711,694
Due to component units	--	858,850	5,800,000	(6,658,850)	--
Due to outside agency	439,643	--	--	--	439,643
Custodial liability	360,000	--	48,979	--	408,979
Deferred revenue	58,000	--	--	--	58,000
Total Current Liabilities	3,424,263	875,453	6,983,730	(6,658,850)	4,624,596
Long-term debt, less current maturities	--	119,808	--	--	119,808
Total Liabilities	3,424,263	995,261	6,983,730	(6,658,850)	4,744,404
Net Position					
Invested in capital assets	289,932	--	--	--	289,932
Restricted Net Position					
Non-expendable	--	--	2,713,420	(2,712,420)	1,000
Restricted for energy programs	8,143,655	--	--	--	8,143,655
Unrestricted (deficit)	107,526,767	287,542	737,926	--	108,552,235
Total Net Position	115,960,354	287,542	3,451,346	(2,712,420)	116,986,822
Total Liabilities and Net Position	$ 119,384,617	$ 1,282,803	$ 10,435,076	$ (9,371,270)	$ 121,731,226

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
Operating Revenues					
Utility customer assessments	$ 27,779,345	$ --	$ --	$ --	$ 27,779,345
Grant revenue	321,642	300,000	--	--	621,642
RGGI Auction income	20,074,668	--	--	--	20,074,668
Energy system sales	--	--	3,548,840	--	3,548,840
Other income	576,788	--	--	--	576,788
Total Operating Revenues	48,752,443	300,000	3,548,840	--	52,601,283
Operating Expenses					
Cost of goods sold - energy systems	--	--	2,794,270	--	2,794,270
Provision for loan losses	1,310,933	--	--	--	1,310,933
Grants and program expenditures	23,214,499	23,620	10,560	--	23,248,679
General and administrative expenses	2,360,202	2,540	5,970	--	2,368,712
Total Operating Expenses	26,885,634	26,160	2,810,800	--	29,722,594
Operating Income	21,866,809	273,840	738,040	--	22,878,689
Nonoperating Income (Expenses)					
Interest income - prommisory notes	557,632	13,764	--	--	571,396
Interest income - short term cash deposits	551,393	--	--	--	551,393
Interest income - component units	67,958	--	--	--	67,958
Interest expense - component units	--	--	--	--	--
Realized loss on investments	(350,000)	--	--	--	(350,000)
Unrealized gain on disposition of investments	349,999	--	--	--	349,999
Total Nonoperating Income (Expenses)	1,176,982	13,764	--	--	1,190,746
Change in Net Position before Payments to State of Connecticut and Capital Contributions	23,043,791	287,604	738,040	--	24,069,435
Payments to State of Connecticut	(6,200,000)	--	--	--	(6,200,000)
Capital contributions	--	--	2,613,420	(2,613,420)	--
Distributions to member	--	--	--	--	--
Change in Net Position	16,843,791	287,604	3,351,460	(2,613,420)	17,869,435
Net Position - Beginning of Year	99,116,563	(62)	99,886	(99,000)	99,117,387
Net Position - End of Year	$ 115,960,354	$ 287,542	$ 3,451,346	$ (2,712,420)	$ 116,986,822

CONNECTICUT GREEN BANK

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014
(With Summarized Totals for the Year Ended June 30, 2013)

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
Cash Flows from Operating Activities					
Utility ratepayer assessments	$ 26,992,610	$ --	$ --	$ --	$ 26,992,610
Grants	400,766	300,000	--	--	700,766
RGGI auction proceeds	17,520,889	--	--	--	17,520,889
Other income	581,435	--	--	--	581,435
Lease prepayment	--	--	6,092	--	6,092
Grant and program expenditures	(7,802,814)	(12,014)	(14,844)	--	(7,829,672)
Grants, incentives and credit enhancements	(13,313,611)	--	--	--	(13,313,611)
General and administrative expenditures	(2,331,070)	(197)	(5,970)	--	(2,337,237)
Net Cash Provided by (Used in) Operating Activities	22,048,205	287,789	(14,722)	--	22,321,272
Cash Flows from Non-capital Financing Activities					
Transfer from State of Connecticut	(6,200,000)	--	--	--	(6,200,000)
Advances to CEFIA component units	(650,000)	--	(1,439,552)	--	(2,089,552)
Advances from CEFIA and component units	--	783,850	--	--	783,850
Net Cash Provided by (Used in) Non-capital Financing Activities	(6,850,000)	783,850	(1,439,552)	--	(7,505,702)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(79,713)	--	--	--	(79,713)
Proceeds from long-term debt	--	122,463	--	--	122,463
Capital contributions from component entities	(2,613,420)	--	2,613,420	--	--
Capital contributions from Firststar Development, LLC	--	--	--	--	--
Return of capital to Firststar Development, LLC	--	--	--	--	--
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,693,133)	122,463	2,613,420	--	42,750
Cash Flows from Investing Activities					
Return of principal on investments	6,965,232	57,722	--	--	7,022,954
CPACE program loan disbursements	(14,752,595)	--	--	--	(14,752,595)
Grid Tied program loan disbursements	(2,375,000)	--	--	--	(2,375,000)

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS (CONTINUED)

	CGB	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	Eliminating Entries	Total Primary Government
Cash Flows from Investing Activities (Continued)					
Operational Demo program loan disbursements	$ 442,200	$ 57	$ --	$ --	$ 442,257
Sales of energy systems	--	--	715,768	--	715,768
AD/CHP program loan disbursements	(150,000)	--	--	--	(150,000)
Alpha/Operational Demo program loan disbursements	(516,200)	--	--	--	(516,200)
Energy Efficiency program loan disbursements	(75,000)	--	--	--	(75,000)
Campus Efficiency NOW program loan disbursements	(315,668)	--	--	--	(315,668)
Residential Solar Lease program disbursements	--	--	(1,656,995)	--	(1,656,995)
Residential Solar Loan program disbursements	--	(805,484)	--	--	(805,484)
Net Cash Used in Investing Activities	(10,777,031)	(747,705)	(941,227)	--	(12,465,963)
Net Increase (Decrease) in Cash and Cash Equivalents	1,728,041	446,397	217,919	--	2,392,357
Cash and Cash Equivalents - Beginning of Year	72,656,086	54,343	24,786	--	72,735,215
Cash and Cash Equivalents - End of Year	$ 74,384,127	$ 500,740	$ 242,705	$ --	$ 75,127,572
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	$ --	$ --	$ --	$ --	$ --
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	--	--	--	--	--
Changes in operating assets and liabilities:					
Other assets	--	--	--	--	--
Receivables, notes, renewable credits	--	--	--	--	--
Increase in liabilities:					
Accounts payable,accrued expenses, deferred revenue and due to related parties	--	--	--	--	--
Net Cash Provided by (Used in) Operating Activities	$ --	$ --	$ --	$ --	$ --

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

All entities are enterprise funds. Enterprise funds are used to account for governmental activities that are similar to those found in the private sector in which the determination of net income is necessary or useful to sound financial administration.

In its accounting and financial reporting, the reporting entity follows Governmental Accounting Standards Board (GASB) Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporates into GASB guidance pre-November 30, 1989 FASB Statements and Interpretations and Accounting Principles Board (APB) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

BASIS OF PRESENTATION

These financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

REVENUE RECOGNITION

CGB, in addition to utility assessments and RGGI auction income, recognizes revenue from grants as expenses are incurred.

CEFIA Solar Loan I LLC revenues represents grant funds paid to it by CGB. This amount was eliminated to arrive at the total reporting entity revenue.

CEFIA Holdings LLC revenues from the sales of photovoltaic energy systems to CEFIA Solar Lease 2, LLC. This amount was eliminated to arrive at the total reporting entity revenue.

CEFIA Solar Services, Inc. revenue consists of an administrative fee from CGB. This amount was eliminated to arrive at the total reporting entity revenue.

In addition, CT Solar Lease 2 LLC is expected to derive revenue from the following sources: operating leases, energy generation, Production Based Incentives (PBIs) and the sale of Solar Renewable Energy Certificates (SRECs) to third parties. Rental income from residential and commercial operating leases will be recognized on a straight-line basis over the term of each underlying lease. Energy generation revenue will be recognized as electricity is generated, based on actual output and contractual prices set forth in long-term PPAs. PBI payments on

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

residential solar photovoltaic systems will be received through a rebate program funded by the CGB. Payments are based on actual production. Revenue from the sale of SRECs to third parties is recognized upon the transfer of title and delivery of the SRECs to third parties and is derived from contractual prices set forth in SREC sale agreements.

OPERATING VS. NON-OPERATING REVENUE (EXPENSE)

All entities distinguish operating revenues and expenses from non-operating items. Operating revenues consist of utility customer assessments, grants for operating activities, and other revenue generated in connection with investments in clean energy programs. Operating expenses consist of operating costs, including depreciation on capital assets and grants and programs. Non-operating revenue (expense) consists of investment earnings, gains, and losses.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect certain reported amounts and disclosures in the financial statements. The most significant estimates are the determination of the fair value of its investments. Actual results could vary from the estimates that were used.

USE OF RESTRICTED VS. NON-RESTRICTED RESOURCES

When both restricted and unrestricted amounts are available for use, the policy is to use restricted resources for their intended purposes first and then unrestricted resources.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of cash and highly liquid short-term investments with an original term of 90 days when purchased and are recorded at cost, which approximates fair value.

CAPITAL ASSETS

Capital asset acquisitions exceeding $500 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using straight-line methods over the estimated useful lives of the assets, which range from two to twenty-five years. Leasehold improvements are amortized over the shorter of their useful life or the lease term.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

For capital assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in income for the period.

PORTFOLIO INVESTMENTS

CGB carries all investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability by in an orderly transaction between market participants at the measurement date. As discussed in Note 4, CGB's portfolio investments are managed by CI. Fair value is determined by CI's independent valuation committee ("Committee") using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. In the absence of readily determinable market values, the Committee gives consideration to pertinent information about the companies comprising these investments, including, but not limited to, recent sales prices of the issuer's securities, sales growth, progress toward business goals and other operating data. CI has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. CGB management reserves the right to establish a reserve in addition to the reserve recommended by the Committee to further account for current market conditions and volatility. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material. CGB reports gains as realized and unrealized consistent with the practice of venture capital firms. The calculation of realized gains and losses is independent of the calculation of the net change in investment value.

All of CGB's portfolio investments are uninsured against loss and unregistered, and are held in the administrator's name.

DEFERRED FINANCING FEES

Deferred financing fees of $487,563 consist of costs incurred in connection with securing the long-term debt. These costs are amortized using the straight-line method over the maximum term of the credit facility, which is through July 1, 2030. Accumulated amortization at June 30, 2014 was $28,680. Amortization expense for the year ended June 30, 2014 was $28,680.

NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NET POSITION

Net position is presented in the following three categories:

- *Net Position Invested in Capital Assets* represent capital assets, net of accumulated depreciation and amortization that are attributable to those particular assets.
- *Restricted Net Position* represent assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by laws or through constitutional provisions or enabling legislature, and includes equity interest within CGB's component units by outside entities.
- *Unrestricted Net Position* represents assets which do not meet the definition of the two preceding categories.

GRANTS AND PROGRAMS

Expenditures for grants and programs are recorded upon the submission of invoices and other supporting documentation and approval by management. Salaries, benefits and overhead expenses are allocated to program expenses based on job functions.

RECLASSIFICATIONS

Certain amounts in the 2013 summarized information have been reclassified to conform to the 2014 presentation.

SUBSEQUENT EVENTS

In September 2014, CT Solar Lease 2 LLC was required by agreement with First Niagara Bank, N.A. (the Bank) to enter into an interest rate protection agreement with the Bank.

CGB has performed a review of events subsequent to the statement of net position date through ______, 2014, the date of the financial statements where available to be issued. Except as described above, no events requiring recording or disclosure in the financial statements were identified.

NOTE 2 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). In determining fair value, CGB utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. CGB also considers nonperformance risk in the overall assessment of fair value.

Investments are measured at fair value utilizing valuation techniques based on observable and/or unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect market assumptions. These inputs are classified into the following hierarchy:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets of liabilities. CGB's Level 1 securities were valued at the closing price reported on the active markets on which the individual securities are traded.

Level 2 – Inputs other than quotes prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quotes prices for similar assets and liabilities in active markets
- Quotes prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quotes prices that are used in the valuation of the asset or liability (e.g., interest rate and yield curve quotes at commonly quotes intervals)
- Inputs that are derived principally from or corroborated by observed market data by correlation or other means

Level 3 – Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CGB believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, CGB's fair value measurements at June 30, 2014:

Investment assets at Fair Value as of June 30, 2014

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 80,872,491	$ --	$ --	$ 80,872,491
Portfolio investments	--	--	1,000,000	1,000,000
	$ 80,872,491	$ --	$ 1,000,000	$ 81,872,491

	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	$ 75,127,572	$ --	$ --	$ 75,127,572
Portfolio investments	--	--	1,000,000	1,000,000
Discretely Presented Component Units:				
CGB Solar Services, Inc.	123	--	--	123
CT Solar Lease 2 LLC				
Cash and cash equivalents	5,744,796	--	--	5,744,796
	$ 80,872,491	$ --	$ 1,000,000	$ 81,872,491

NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, CGB's fair value measurements at June 30, 2013:

	Investment assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 77,641,670	$ --	$ --	$ 77,641,670
Portfolio investments	--	--	1,000,000	1,000,000
	$ 77,641,670	$ --	$ 1,000,000	$ 78,641,670

	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	$ 72,735,214	$ --	$ --	$ 72,735,214
Portfolio investments	--	--	1,000,000	1,000,000
Discretely Presented Component Units:				
CGB Solar Services, Inc.	--	--	--	--
CT Solar Lease 2 LLC				
Cash and cash equivalents	4,906,456	--	--	4,906,456
	$ 77,641,670	$ --	$ 1,000,000	$ 78,641,670

There were no transfers between levels during the years ended June 30, 2014 and 2013.

Furthermore, there were no changes in level 3 assets during 2014 or 2013, respectively.

NOTE 3 – CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents for the reporting entity at June 30:

	2014	2013
Checking	$ 2,205,106	$ 1,846,114
State Treasurer's Short-Term Investment Fund	69,688,946	66,258,900
Unrestricted cash and cash equivalents	71,894,052	68,105,014
Checking - restricted	1,405,787	1,569,975
Money Market - restricted	3,500,000	3,500,000
State Treasurer's Short-Term Investment Fund - restricted	4,072,652	4,466,681
Total cash and cash equivalents	$ 80,872,491	$ 77,641,670

	Cash and cash equivalents as of June 30, 2014			
	Primary Government	CT Solar Lease 2 LLC	CGB Solar Services, Inc.	Total
Checking	$ 960,188	$ 1,244,796	$ 123	$ 2,205,107
State Treasurer's Short-Term Investment Fund	69,688,946	--	--	69,688,946
Unrestricted Cash and Cash Equivalents	70,649,134	1,244,796	123	71,894,053
Restricted Cash				
Checking	405,787	1,000,000	--	1,405,787
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	4,072,652	--	--	4,072,652
	$ 75,127,573	$ 5,744,796	$ 123	$ 80,872,492

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

	Cash and cash equivalents as of June 30, 2013			
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Total
Checking	$ 1,439,658	$ 406,456	$ --	$ 1,846,114
State Treasurer's Short-Term Investment Fund	66,258,900	--	--	66,258,900
Unrestricted Cash and Cash Equivalents	67,698,558	406,456	--	68,105,014
Restricted Cash				
Checking	569,975	1,000,000	--	1,569,975
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	4,466,681	--	--	4,466,681
	$ 72,735,214	$ 4,906,456	$ --	$ 77,641,670

STATE TREASURER'S SHORT-TERM INVESTMENT FUND

The State Treasurer's Short-Term Investment Fund is a Standard & Poors AAAm investment pool of high-quality, short-term money market instruments managed by the Cash Management Division of the State Treasurer's Office. It is the investment vehicle for the operating cash of the State of Connecticut Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State. The value of CGB's position in the pool is the same as the value of pool shares. Regulatory oversight is provided by an investment advisory council and the State Treasurer's Cash Management Board.

INVESTMENT MATURITIES

The State Treasurer's Short-Term Investment Fund has no maturity date and is available for withdrawal on demand.

INTEREST RATE RISK

CGB manages its exposure to declines in fair value by limiting the average maturity of its cash and cash equivalents to no more than one year.

NOTE 3 – CASH AND CASH EQUIVALENTS (CONTINUED)

CREDIT RISK

Connecticut General Statutes authorize CGB to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Fund's investment are as follows:

	Moody's Investors Service	Standard & Poor's
State Treasurer's Short-Term Investment Fund	Aaa	AAAm

CONCENTRATION OF CREDIT RISK

CGB's investment policy does not limit the investment in any one investment vehicle. The State Treasurer's Short-term Investment Fund is not subject to this disclosure.

CUSTODIAL CREDIT RISK - DEPOSITS

In the case of deposits, this represents the risk that, in the event of a bank failure, CGB's deposits may not be returned to it. CGB does not have a deposit policy for custodial credit risk. As of June 30, 2014 and 2013, \$6,554,413 and \$6,940,198, respectively, of CGB's bank balances were exposed to custodial credit risk. Primary government consisted of \$1,296,948 and \$2,283,742 as of June 30, 2014 and 2013. CT Solar Lease 2, LLC consisted of \$5,257,465 and \$4,656,456 as of June 30, 2014 and 2013, respectively. Funds held by banks on behalf of CT Solar Lease 2 LLC include a contractual requirement to maintain \$4,500,000 in deposits with financial institutions participating in the CGB Solar Lease Program which represent loan loss and lease maintenance reserves.

CUSTODIAL CREDIT RISK - INVESTMENTS

For an investment, this represents the risk that, in the event of the failure of the counterparty, CGB will not be able to recover the value of the investment. As of June 30, 2014 and 2013, the Fund has no reportable custodial risk.

NOTE 4 – PORTFOLIO INVESTMENTS

The former Connecticut Clean Energy Fund (CCEF) invested in emerging technology companies as equity and debt investments in Operational Demonstration projects. Based on a memorandum of understanding between CGB and CI, CI manages these investments on behalf of CGB.

NOTE 5 – BONDS RECEIVABLE

This amount represents two $800,000 bonds received in connection with the CGB's May 2014 sale of C-Pace Loans to Clean Fund Holdings, LLC (CFH). CFH paid CGB approximately $6.4 million in cash along with two bonds issued to CGB through Public Finance Authority (Subordinate Series 2014B-1 and 2014C-1). Each bond carries interest of 5.30% per annum with a maturity date of September 10, 2034. The bonds are secured by the C-Pace Loans sold to CFH. At June 30, 2014, management believes no valuation allowance is necessary on these bonds.

Each bond requires semi-annual interest-only payments to CGB starting September 10, 2014 and continuing to September 10, 2029. Starting March 10, 2030 and every six months thereafter, principal payments, along with the required interest is to be paid to CGB.

Principal maturities of these bonds are as follows:

Year ended June 30,	2014B-1	2014C-1	Total
2015	$ --	$ --	$ --
2016	--	--	--
2017	--	--	--
2018	--	--	--
2019	--	--	--
2020 - 2024	--	--	--
2025 - 2029	--	--	--
2030 - 2034	792,500	792,500	1,585,000
2035	7,500	7,500	15,000
	$ 800,000	$ 800,000	$ 1,600,000

NOTE 6 – SOLAR LEASE NOTES RECEIVABLE

NOTE 7 – C-PACE LOANS RECEIVABLE

NOTE 8 – FINANCING ACTIVITIES

LONG-TERM DEBT - LINE OF CREDIT – PRIMARY GOVERNMENT

During 2014, CT Solar Loan 1 LLC entered into a $4,000,000 line of credit (LOC) with Solar Mosaic, Inc. (Mosaic). Borrowings on the LOC immediately turn into a term note with predefined repayment terms at the time of borrowing. The LOC has $3,873,912 available at June 30, 2014. The LOC borrowing period is through June 30, 2015. Borrowings on the LOC bear interest at 6.4586% (Base Rate) and have the option to buy-down the interest rate to 6.00% (Reduced Rate) by making a payment on the borrowing date of 2.875% of the principal amount of the loan (Rate Buy-down Amount). As of June 30, 2014 there was $126,088 outstanding which matures in March 2029.

In connection with the LOC, CT Solar Loan 1 LLC is required to establish and maintain a collections account, debt service reserve account and a loan loss reserve account. Deposits shall be made into the collections account for all payments received by residential borrowers. The debt service reserve account is required to have no less than six months forward-looking principal and interest payments for the loans outstanding. The loan loss reserve account is required to have a one-time deposit of $300,000.

Future maturities on borrowings on the Additional LOC are as follows:

Years ending June 30,		
2015	$	6,280
2016		6,516
2017		6,831
2018		7,163
2019		7,512
Thereafter		91,786
	$	126,088

NOTE 8 – FINANCING ACTIVITIES (CONTINUED)

LINE OF CREDIT –DISCRETELY PRESENTED COMPONENT UNIT – CT SOLAR LEASE 2, LLC

CT Solar Lease 2, LLC has a $26,700,000 line of credit agreement (Additional LOC) with First Niagara Bank, N.A. (First Niagara) as the Administrative Agent and Lender along with three other participating lenders. The additional LOC is broken down by lender as follows:

First Niagara Bank, N.A	$ 10,700,000
Liberty Bank	7,000,000
Webster Bank, National Association	7,000,000
People's United Bank	2,000,000
	$ 26,700,000

Funds may be drawn down in no more than ten total advances by July 1, 2015. With the exception of the final advance, each advance must be in the principal amount of $2,670,000 or a whole multiple of $100,000 in excess of $2,670,000. Each loan funding will be shared by all participating lenders in accordance with their pro-rata share of the total facility commitment.

Each advance will be amortized separately. CT Solar Lease 2 LLC has the option with each advance of selecting between the LIBOR rate or the base rate which is defined as the highest of (a) the Federal Funds Effective Rate plus one-half of 1 percent, (b) First Niagara's prime rate (3.25 at June 30, 2014), and (c) the LIBOR rate plus 1 percent (_____ at June 30, 2014). CT Solar Lease 2 LLC may also elect to convert an advance from one rate to the other by following the process outlined in the credit agreement.

Payments of interest with respect to any LIBOR rate advances are due on the 15th day of the month following each calendar quarter end. Payments of interest with respect to any base rate advances are due monthly. Payments of principal with respect to all advances are due on the 15th day of the month following each calendar quarter end. Principal payments on each advance will be based on a modified 15 year amortization schedule as outlined in the credit agreement.

Within one month of each advance, CT Solar Lease 2 LLC is required to enter into an interest rate swap contract with respect to a minimum amount of 75% of such advance. If one of the participating lenders is the counterparty to the swap contract, such contract will be secured by the collateral of the credit agreement; otherwise, the swap contract will be unsecured.

NOTE 8 – FINANCING ACTIVITIES (CONTINUED)

Certain obligations of CT Solar Lease 2 LLC under the credit agreement are guaranteed by CGB. This credit agreement is secured by all assets of CT Solar Lease 2 LLC as well as CT Solar Services (the "Managing Member") interest in CT Solar Lease 2 LLC. There are no prepayment penalties. There are certain debt service coverage ratios CT Solar Lease 2 LLC must maintain related to each separate advance and which require the separate measurement of the net operating income with respect to the projects purchased with each advance.

As of June 30, 2014, there were no borrowings on the Additional LOC.

NOTE 9 – PAYMENT TO STATE OF CONNECTICUT

This amount represents a required annual payment of $6,200,000 to the State of Connecticut.

NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES

DUE TO AFFILIATE

CGB utilizes the services of CI, as provided in the General Statutes of the State of Connecticut. CI provides services to CGB, at cost, for its operations. Such services include, but are not limited to, staff for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CGB by CI totaled $916,493 and $880,741 for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, amounts due to CI were $227,046 and $21,396, respectively.

UNUSED COMMITMENT FEE

The Investor Member of CT Solar Lease 2 LLC is entitled to an annual fee due within 30 days of the end of each calendar year, calculated on a monthly basis, based on the amount of the Investor Member's unfunded capital contributions. The fee for each month is equal to 1.25 percent times the amount by which the Investor Member's contribution cap exceeds the total capital contributions funded as of the last day of the month in question divided by twelve. Amounts not paid timely accrue interest at the US Bank Prime Rate in effect on the due date plus 2 percent. The unused commitment fee totaled $146,183 for the year ended June 30, 2014 and is included in accounts payable and accrued expenses on the accompanying statement of net assets. There was no unused commitment fee as of June 30, 2013.

NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)

ADMINISTRATIVE SERVICES FEE

The Managing Member of CT Solar Lease 2 LLC provides administrative and management services to the Company and earned a quarterly fee initially equal to $30,000 per quarter beginning July 1, 2013. The amount of the fee will increase 2.5 percent each July 1st beginning July 1, 2014. The administrative services fee totaled $120,000 for the year ended June 30, 2014 and is included in accounts payable and accrued expenses on the accompanying statement of net assets. There was no administrative services fee for the year ended June 30, 2013.

PRIORITY RETURN

The Investor Member is the Tax-Equity Investor and is entitled to substantially all of the tax benefits of CT Solar Lease 2 LLC until January I of the year which is five years after the date the last project is installed, which is anticipated to be January 1, 2012, the Flip Date.

The investor Member of CT Solar Lease 2 LLC shall be due a cumulative, quarterly distribution equal to 0.5% of its paid-in capital contributions in respect of projects beginning at the end of the first quarter after the first project acquisition capital contribution is made and continuing until the "Flip Date." To the extent the priority return is not paid in a quarter until the Flip Date, unpaid amounts will accrue interest at the lower of 24% per annum or the highest rate permitted by law.

In accordance with the Operating Agreement all amounts and accrued interest due on the Priority Return are to be paid from net cash flow prior to certain required payments due under the Credit Agreement. During the year ended June 30, 2014, the Investor Member was paid $1,399 related to the Priority Return. The investor was not paid a priority return for the year ended June 30, 2013.

PREPAID PRIORITY RETURN

The investor member of CT Solar Lease 2 LLC will be paid a prepaid priority return with respect to each residential energy system project where the customer has made a prepayment to CT Solar Lease 2 LLC. The prepaid priority return is a one-time distribution to the investor member equal to 4.2055% of each prepaid project's purchase price. The prepaid priority return will be paid to the investor member on the date it makes its initial acquisition capital contribution with respect to the purchase of the prepaid project. During the year ended June 30, 2014, the investor member was paid $12,584 related to the prepaid priority return. The investor member was not paid a priority return for the year ended June 30, 2013.

NOTE 10 – RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)

PAYROLL TAXES

Pursuant to state statute, CGB is subject to fringe benefit charges for pension plan and medical plan contributions which are paid at the state level. CGB's employer payroll taxes are also paid at the state level. CGB reimburses the state for these payments. The reimbursement for 2014 and 2013 was $2,721,651 and $1,882,370, respectively, comprising 76.40% and 66.25%, respectively, of gross salaries.

OPERATING LEASES

During 2014, CGB entered into a non-cancellable operating lease with an unrelated entity for its main office space. The lease calls for monthly escalating payments beginning at $12,567 through December 31, 2020. Rent expense related to this lease for the year ended June 30, 2014 was $148,680.

In addition, CGB had a sub-lease for its main office space from CI under a non-cancellable Memorandum of Understanding (MOU) which expired during 2013. Rent expense related to this lease for the year ended June 30, 2013 amounted to $84,305.

In addition, CGB has a non-cancelable operating lease for an additional office space from an unaffiliated entity which calls for initial monthly payments of $7,333, with escalating payments through December 2020. Rent expense related to this lease for the years ended June 30, 2014 and 2013 amounted to $88,998 and $61,642, respectively.

In addition, CGB leases office equipment on a month-to-month basis. Rent expense related to the office equipment for the years ended June 30, 2014 and 2013 was $24,415 and $7,344, respectively.

Future minimum lease payments for office rentals are as follows:

Years ending June 30,		
2015	$	243,929
2016		250,172
2017		256,424
2018		262,672
2019		268,920
Thereafter		414,341
	$	1,696,458

NOTE 11 – CAPITAL ASSETS

Capital asset activity for reporting entity for the year ended June 30, 2014 is as follows:

	Balance, July 1, 2013	Additions	Deletions	Adjustments	Balance, June 30, 2014
Capital assets being depreciated:					
Solar lease equipment	$ --	$ 1,314,350	$ --	$ (279,191)	$ 1,035,159
WIP solar lease equipment	--	2,234,490	--	(475,379)	1,759,111
Furniture and equipment	335,744	3,194	--	--	338,938
Leasehold improvements	136,659	3,023	--	--	139,682
Computer hardware and software	71,470	16,867	--	--	88,337
Construction in progress	--	7,141	--	--	7,141
	543,873	3,579,065	--	(754,570)	3,368,368
Less accumulated depreciation and amortization:					
Solar lease equipment	--	9,865	--	--	9,865
Furniture and equipment	146,560	59,260	--	--	205,820
Computer hardware and software	18,093	15,752	--	--	33,845
Leasehold improvements	16,715	27,786	--	--	44,501
	181,368	112,663	--	--	294,031
Capital assets, net	$ 362,505	$ 3,466,402	$ --	$ (754,570)	$ 3,074,337

	Balance, July 1, 2012	Additions	Deletions	Adjustments	Balance, June 30, 2013
Capital assets being depreciated:					
Furniture and equipment	$ 13,049	$ 188,068	$ --	$ 134,627	$ 335,744
Computer hardware and software	28,460	43,010	--	--	71,470
Leasehold improvements	56,224	80,395	--	40	136,659
	97,733	311,473	--	134,667	543,873
Less accumulated depreciation and amortization:					
Furniture and equipment	626	11,267	--	134,667	146,560
Computer hardware and software	3,807	14,286	--	--	18,093
Leasehold improvements	1,971	14,744	--	--	16,715
	6,404	40,297	--	134,667	181,368
Capital assets, net	$ 91,329	$ 271,176	$ --	$ --	$ 362,505

NOTE 12 – GRANT PROGRAMS

CGB, the primary government, recognizes grant revenue based on expenditures or fulfillment of program requirements. For the year ended June 30, 2014, CGB recognized related grant revenue of $321,642 under Department of Energy programs.

NOTE 13 – COMMITMENTS

As of June 30, 2014 and 2013, the Board of Directors designated a portion of CGB's unrestricted net position to fund financial incentives for specific commercial and residential projects in the following areas:

	2014	2013
Solar	$ 24,442,941	$ 10,795,323
AD/CHP Programs	14,558,887	--
CPACE	14,294,826	1,458,455
Campus Efficiency NOW Program	3,726,946	1,000,000
Wind	2,800,000	--
Fuel cells	1,363,388	4,944,157
Education and outreach	988,701	1,305,165
Operation Demonstration Programs	987,333	1,381,974
Project 150 and Pre-Development Programs	262,755	1,500,000
Other technologies	103,274	1,064,500
Geothermal and Solar Thermal	--	1,036,986
	$ 63,529,051	$ 24,486,560

These incentives are expected to be paid over the next one to six fiscal years and are contingent upon the completion of performance milestones by the recipient of the incentive.

In addition, at June 30, 2014, the Board of Directors through various resolutions has made available an additional $33,981,288 of unrestricted net position to fund the following programs for which specific commercial and residential projects have not yet been identified:

CPACE	$ 18,856,424
Solar loan programs	9,219,664
Solar lease program	5,905,200
	$ 33,981,288

All commitments are those of the primary government.

NOTE 14 – PENSION PLAN

All employees of the CGB participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The CGB has no liability for pension costs other than the annual contribution. In addition, an actuarial study was performed on the plan as a whole and does not separate information for employees of the CGB. Therefore, certain pension disclosures otherwise required pursuant to accounting principles generally accepted in the United States of America are omitted. Information on the total plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

PLAN DESCRIPTION

SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I and Tier IIA are contributory plans, and Tier II is a noncontributory plan.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 2 percent of the annual average earnings (which are based on the three highest earning years of service) over $4,800 plus 1 percent of $4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 65 with 5 years of service, are entitled to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. Tier II employees between the ages of 55 and 62 with 10 years but less than 25 years of service may retire with reduced benefits. In addition, Tier II and Tier IIA members with at least five but less than ten years of actual state service who terminate their state employment July 2, 1997 or later and prior to attaining age 62 will be in deferred vested status and may commence receipt of normal retirement benefits on the first of the month on or following their sixty-fifth (65) birthday.

NOTE 14 – PENSION PLAN (CONTINUED)

Employees hired on and after July 1, 1997, will become members of Tier IIA. Tier IIA plan is essentially the existing Tier II plan with the exception that employee contributions of 2 percent of salary are required. Tier I members are vested after ten years of service, while Tier II and Tier IIA members may be vested after five years of service under certain conditions, and all three plans provide for death and disability benefits.

Employees hired on or after July 1, 2011 are covered under the Tier III plan. Tier III requires employee contributions of two percent of salary up to a $250,000 limit after which no additional contributions will be taken on earnings above this limit. The normal retirement date will be the first of any month on or after age 63 if the employee has at least 25 years of vested service or age 65 if the employee has at least 10 but less than 25 years of vested service. Tier III members who have at least 10 years of vested service can receive early reduced retirement benefits if they retire on the first of any month on or following their 58th birthday. Tier III normal retirement benefits include annual retirement benefits for life, in the amount of one and one-third percent of the five year average annual earnings plus one-half of one percent of the five year average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service plus one and five-eighths of the five year annual average salary times years of credited service over 35 years.

The total payroll for employees of the CGB covered by SERS for the years ended June 30, 2014 and 2013 was $3,121,583 and $2,517,190, respectively.

CONTRIBUTIONS MADE

CGB's contribution is determined by applying a State mandated percentage to eligible salaries and wages as follows for the years ended June 30:

	2014	2013
Contributions made:		
By employees	$ 139,217	$ 104,214
Percent of current year covered payroll	4.5%	4.1%
By CGB	$ 1,669,961	$ 1,125,649
Percent of current year covered payroll	53.5%	44.7%

NOTE 15 – RESTRICTED NET POSITION (PRIMARY GOVERNMENT)

Restricted net position at June 30, 2014 consisted of the following:

Non-Expendable	
CGB component units equity interest	$ 1,000
Energy Programs	
Assets restricted to fund maintenance of a fuel cell for a Connecticut municipality	$ 176,974
Assets restricted for maintaining loan loss and interest rate reserves (Note 1)	7,966,081
	$ 8,143,055

NOTE 16 – RISK MANAGEMENT

CGB is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses exceeding insurance coverage, and there have been no decreases in insurance coverage over the last three years.

NOTE 17 – RENEWABLE ENERGY CREDITS (PRIMARY GOVERNMENT)

CGB owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain commercial renewable energy facilities for which CGB provided the initial funding. On October 22, 2010, CGB entered into an agreement to sell a total of 10,000 RECs generated, or to be generated, during the period January 1 to December 31, 2014 at a price of $15.00 per REC, totaling $150,000. As of June 30, 2014, CGB has satisfied its obligations under this agreement.

RECs trade on the New England Power Pool (NEPOOL) market. The market price of Connecticut Class 1 RECs as of June 30, 2014 ranged from $53.00 to $54.00. CGB's inventory as of June 30, 2014 has been priced at its cost.

CONNECTICUT GREEN BANK

COMPREHENSIVE ANNUAL FINANCIAL REPORT
STATISTICAL SECTION

JUNE 30, 2012, 2013 AND 2014

CONNECTICUT GREEN BANK

STATISTICAL SECTION INTRODUCTION

This part of the Connecticut Green Bank's (CGB) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the benefits of CGB's investments.

FINANCIAL STATISTICS

CONNECTICUT GREEN BANK

NET ASSETS

	2012	2013	2014	Total
Primary Government				
Invested in capital assets, net of related debt	$ 91,329	$ 362,505	$ 289,932	$ 1,033,698
Restricted Net Position				
Non-expendable	--	1,000	1,000	2,000
Restricted - energy programs	176,974	8,143,655	8,143,655	16,464,284
Unrestricted (deficit)	80,919,906	90,610,231	108,552,235	280,082,372
	81,188,209	99,117,391	116,986,822	297,582,354
CT Solar Lease 2 LLC				
Invested in capital assets, net of related debt	--	--	3,538,975	3,538,975
Restricted Net Position				
Non-expendable	--	100	4,794,901	4,795,001
Restricted - energy programs	--	--	--	--
Unrestricted (deficit)	--	(943,644)	(4,741,803)	(5,685,447)
	--	(943,544)	3,592,073	2,648,529
CEFIA Solar Services, Inc.				
Restricted Net Position				
Non-expendable	--	100	100	200
Restricted - energy programs	--	--	--	--
Unrestricted (deficit)	--	--	109,123	109,123
	--	100	109,223	109,323
Total Net Assets	$ 81,188,209	$ 98,173,947	$ 120,688,118	$ 300,340,206

CONNECTICUT GREEN BANK

CHANGES IN NET ASSETS

	2012	2013	2014	Total
Primary Government				
Operating Revenues	$ 39,753,684	$ 43,343,093	$ 52,601,283	$ 135,698,060
Operating Expenses				
Grants and program expenditures	31,122,355	23,634,465	23,214,499	77,971,319
General and administrative expenses	1,387,854	1,811,227	2,403,068	5,602,149
Cost of Goods Sold	--	--	2,794,270	2,794,270
Provision for loan losses	--	--	1,310,933	1,310,933
Total Operating Expenses	32,510,209	25,445,692	29,722,770	87,678,671
Operating Income (Loss)	7,243,475	17,897,401	22,878,513	48,019,389
Non-Operating Revenue and (Expenses)				
Interest on solar lease notes	589,007	583,575	571,396	1,743,978
Interest on short-term investments	140,786	103,928	551,393	796,107
Interest income	--	--	67,958	67,958
Realized gain (loss) on investments	--	(1,034,605)	(350,000)	(1,384,605)
Unrealized gain (loss) on investments	434,702	378,059	349,999	1,162,760
Net Non-Operating Revenues	1,164,495	30,957	1,190,746	2,386,198
Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)	8,407,970	17,928,358	24,069,259	50,405,587
Capital Contributions	--	1,000	--	1,000
Transfers to State of Connecticut	--	--	(6,200,000)	(6,200,000)
(Decrease) Increase in Net Assets	$ 8,407,970	$ 17,929,358	$ 17,869,259	$ 44,206,587

CONNECTICUT GREEN BANK

CHANGES IN NET ASSETS

	2012	2013	2014	Total
CT Solar Lease 2 LLC				
Operating Revenues	$ --	$ --	$ 1,770	$ 1,770
Operating Expenses				
General and administrative expenses	--	--	727,697	727,697
Total Operating Expenses	--	--	727,697	727,697
Operating Loss	--	--	(725,927)	(725,927)
Non-Operating Revenue and (Expenses)				
Interest on solar lease notes	--	--	8,642	8,642
Interest expense	--	--	(57,407)	(57,407)
Net Non-Operating Revenues	--	--	(48,765)	(48,765)
Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)	--	--	(774,692)	(774,692)
Capital Contributions	--	236,694	1,496,135	1,732,829
Distributions to Members	--	--	(12,584)	(12,584)
(Decrease) Increase in Net Assets	$ --	$ 236,694	$ 708,859	$ 945,553

CONNECTICUT GREEN BANK

CHANGES IN NET ASSETS

	2012	2013	2014	Total
CEFIA Solar Services, Inc.				
Operating Revenues	$ --	$ --	$ 120,000	$ 120,000
Operating Expenses				
General and administrative expenses	--	--	10,877	10,877
Total Operating Expenses	--	--	10,877	10,877
Operating Loss	--	--	109,123	109,123
Net Non-Operating Revenues	--	--	--	--
Income (Loss) Before Transfers, Capital Contributions and Member (Distributions)	--	--	109,123	109,123
Capital Contributions	--	100	--	100
(Decrease) Increase in Net Assets	$ --	$ 100	$ 109,123	$ 109,223

CONNECTICUT GREEN BANK

REVENUE BY SOURCE

	Total Revenues	Utility Customer Assessments Revenue	Utility Customer Assessments % of Annual	RGGI Auction Proceeds Revenue	RGGI Auction Proceeds % of Annual	Grant Revenue Revenue	Grant Revenue % of Annual	Sales of Energy Equipment Revenue	Sales of Energy Equipment % of Annual	Other Revenues Revenue	Other Revenues % of Annual	Investment Income Revenue	Investment Income % of Annual
Primary Government													
2012	$ 40,918,179	$ 27,025,088	66.05 %	$ 2,052,748	5.02 %	$ 10,435,251	25.50 %	$ --	-- %	$ 240,597	0.59 %	$ 1,164,495	2.85 %
2013	43,374,050	27,621,409	63.68 %	4,744,657	10.94 %	10,035,250	23.14 %	--	-- %	941,777	2.17 %	30,957	0.07 %
2014	53,792,029	27,779,345	51.64 %	20,074,668	37.32 %	621,642	1.16 %	3,548,840	6.60 %	576,788	1.07 %	1,190,746	2.21 %
CT Solar Lease 2 LLC													
2012	$ --	$ --	-- %	$ --	-- %	$ --	-- %	$ --	-- %	$ --	-- %	$ --	-- %
2013	--	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %
2014	10,412	--	-- %	--	-- %	--	-- %	--	-- %	1,770	17.00 %	8,642	83.00 %
CEFIA Solar Services, Inc.													
2012	$ --	$ --	-- %	$ --	-- %	$ --	-- %	$ --	-- %	$ --	-- %	$ --	-- %
2013	--	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %	--	-- %
2014	120,000	--	-- %	--	-- %	--	-- %	--	-- %	120,000	100.00 %	--	-- %

NON-FINANCIAL STATISTICS

CONNECTICUT GREEN BANK

NON-FINANCIAL STATISTICS CONTENTS

1. PROJECT STATUS

CGB tracks projects through three phases as they move through the pipeline to construction completion and operation – Approved, Closed, and Completed. Approved signifies that the appropriate authority within CGB, whether President and CEO, Deployment Committee, or Board of Directors, has approved CGB's investment in the project. Closed indicates all financial and legal documents have been executed and any additional funding has been secured. Completion indicates all construction and installation is complete and the project is operational. The table highlights the fact that projects can take some time to move through this pipeline. The full energy, economic, and environmental benefits from these projects are not fully realized until they are completed.

	2012	2013	2014	Total
Approved	20	64	2,139	2,223
Closed	--	3	276	279
Completed	396	1,055	596	2,047
Total	416	1,122	3,011	4,549

CONNECTICUT GREEN BANK

2. ENERGY BENEFITS
CLEAN ENERGY PRODUCED AND ENERGY SAVED

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. This chart shows the energy benefits from CGB projects, in terms of capacity (megawatts [MW]), clean energy production (lifetime megawatt hours [MWh]), and annual energy savings (MMBTU).

	2012	2013	2014	Total
MW				
Approved	0.1	0.5	30.3	30.9
Closed	--	--	4.3	4.3
Completed	2.7	23.0	4.2	29.9
Total	2.9	23.5	38.8	65.2
MWh (Lifetime)				
Approved	3,235.30	10,979.00	1,479,289.00	1,493,503.30
Closed	--	140.00	103,318.00	103,458.00
Completed	64,849.10	1,427,252.00	100,050.00	1,592,151.10
Total	68,084.40	1,438,371.00	1,682,657.00	3,189,112.40
MMBTU (Annual)				
Approved	--	--	200,479	200,479
Closed	--	777	38,365	39,142
Completed	--	15,228	18,001	33,229
Total	--	16,005	256,845	272,850

3. TOTAL CLEAN ENERGY INVESTMENT AND ESTIMATED JOBS CREATED

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. The chart below highlights the economic benefits of CGB's projects. Investment represents the total amount of private and public funding for clean energy projects and direct and indirect and induced jobs quantifies the resulting job creation.

	2012	2013	2014	Total
Investment				
Approved	$ 667,959	$ 2,227,475	$ 179,097,044	$ 181,992,478
Closed	--	404,596	19,429,244	19,833,840
Completed	14,234,954	107,987,517	26,196,310	148,418,781
Total	$ 14,902,913	$ 110,619,588	$ 224,722,598	$ 350,245,099
Direct Jobs				
Approved	4	13	469	486
Closed	--	3	108	111
Completed	84	559	157	800
Total	88	575	734	1,397
Indirect and Induced Jobs				
Approved	6	21	754	781
Closed	--	5	172	177
Completed	135	1,132	252	1,519
Total	142	1,158	1,179	2,478

Jobs estimates are based on multipliers determined as a result of work performed by Navigant Consulting for the *Connecticut Renewable Energy and Energy Efficiency Economy Baseline Study* completed in March 2009 and subsequently updated in 2010. This Navigant Study was an independent, third party analysis of Connecticut's clean energy economy. Data was acquired as a result of primary research. Navigant performed a census of over 300 companies, institutions, and organizations identified as active players in Connecticut's renewable energy and energy efficiency economy. Seventy four (74) key renewable energy and energy efficiency companies were interviewed; 95 additional key companies were researched in detail. All renewable companies in Connecticut were identified and analyzed. Key energy efficiency companies were identified and analyzed, with the overall market size estimated by extrapolation. Company interviews included questions about customers, supply chain, number of jobs, corresponding salaries, and revenue. Detailed interview questionnaires are available in the Methodology section of the Baseline Study, pages 58-81 – http://www.ctcleanenergy.com/Portals/0/Phase%201%20Deliverable%20Final%20Full.pdf,.

DECD has approved of the methodology for estimating the economic development benefits (i.e., job-years created) from the investment in clean energy projects.

CONNECTICUT GREEN BANK

4. ENVIRONMENTAL BENEFITS
CARBON EMISSION REDUCTIONS AND EQUIVALENCIES

CGB's vision is to lead the green bank movement by accelerating private investment in clean energy deployment for Connecticut to achieve economic prosperity, create jobs, promote energy security, and address climate change. CGB tracks its progress towards this vision as "E3" metrics – Energy, Economic, and Environmental. The chart below highlights the environmental benefits of these projects as a reduction in carbon (CO_2) emissions and standard equivalencies.

	2012	2013	2014	Total
Lifetime CO2 Emission Reductions (Tons)				
Approved	1,678	5,693	264,630	272,000
Closed	--	73	53,570	53,643
Completed	33,624	171,786	51,876	257,286
Total	35,302	177,551	370,076	582,929
Energy for Number of Homes				
Approved	15	52	1,866	1,934
Closed	--	1	492	493
Completed	309	2,166	476	2,951
Total	324	2,219	2,835	5,377
Cars off the Road				
Approved	11	38	1,544	1,593
Closed	--	0	472	473
Completed	224	3,245	439	3,908
Total	235	3,283	2,455	5,973
Planting Number Acres of Trees				
Approved	22	76	2,704	2,802
Closed	--	1	684	685
Completed	448	1,580	746	2,775
Total	471	1,657	4,134	6,262

4. ENVIRONMENTAL BENEFITS
CARBON EMISSION REDUCTIONS AND EQUIVALENCIES

All emissions reductions from renewable energy projects are determined using ISO-New England information, because that is where the energy will be displaced. This produces results that may be significantly different from emissions savings based on a comparison to national averages. In addition, the generation characteristics of each technology have an impact on the emissions reduction that can be expected. Solar-powered systems will produce only during the daylight hours, which normally coincide with the peak demand period for the utilities. The generating fleet during this time may include peaking plants and reserve plants, which will have lower efficiencies than the "baseload" plants which run 24 hours per day. Consequently, emissions are higher, and the renewable energy systems look better by comparison. The calculations are based on the results of the 2007 New England Marginal Emission Rate Analysis (http://www.iso-ne.com/genrtion_resrcs/reports/emission/2007_mea_report.pdf). The appropriate marginal emissions rates for Connecticut are used to determine the net avoided emissions for each of the technologies evaluated.

a. PV systems are analyzed using the average of the Marginal Emission Rates (in Lbs/MWh) for "On-Peak Ozone Season" and "On-Peak Non-Ozone Season". The underlying assumptions are that PV systems will be operating primarily during the on-peak periods, and that their output in the five months of the "Ozone Season" (May – September) is about the same as in the seven months of the "Non-Ozone Season."

b. Fuel cells are also evaluated using the "Annual Average (all hours) Marginal Emission Rates", because they are expected to produce power continually as "base load" generators. Fuel Cell emissions assume that 50% of the thermal output ("waste heat") is used to displace natural gas used for heating. This is conservative, since 50% thermal utilization is the minimum standard for CCEF's acceptance of a fuel cell project.

It should be noted that emissions estimates for anaerobic digester, wind, and energy efficiency projects were not estimated.

To determine the exact avoided CO_2 for CHP projects we need to know what the CHP system is displacing (i.e. boiler, grid, etc.), as well as the efficiencies, in order to determine the existing CO_2 emissions and then do the calculation to get the avoided emissions. For general purposes a typical 3.7 MW system operating on natural gas would generate about 13,000 tons of CO2 annually and 195,000 Tons over its 15-year life. Typically avoiding 35-50% CO_2 overall from the existing infrastructure. Not factoring in the utility transmission and distribution losses.

It should be noted that a methodology for estimating the environmental protection benefits (i.e., GHG emissions reduced) has not yet been proposed to or approved by DEEP from the investment in clean energy projects.

5. GREEN BANK MODEL

As the first Green Bank in the country, CGB seeks to use limited public resources to attract private capital investment in clean energy. CGB does this by moving away from the grant-based model of supporting clean energy and towards a financing model. As highlighted in the below chart, CGB has quickly moved towards this model, with less and less funds devoted to subsidies. This trend has corresponded to an increase in total investment in clean energy, $350 million in total, as CGB is able to do more while managing ratepayer resources more responsibly.

Fund Used*	2012	2013	2014	Total
Subsidies	$ 4,567,434	$ 14,681,558	$ 22,242,024	$ 41,491,016
Credit Enhancements	--	9,004	1,217,694	1,226,698
Loans and Leases	--	6,910,492	50,457,895	57,368,387
Total	$ 4,567,434	$ 21,601,054	$ 73,917,613	$ 100,086,101
Percent Green Bank Funds Invested in Subsidies	100.0 %	68.0 %	30.0 %	41.5 %

* approved/closed/completed in FY 2012 - FY 2014

6. RENEWABLE ENERGY TECHNOLOGY DEPLOYMENT

CGB's takes a technology agnostic approach to its financing products, with any commercially available technology that meets legal guidelines eligible.

	Residential Sector		Commercial and Industrial Sector		Institutional Sector		Infrastructure Sector		Total	
	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)	MW	MWh (Lifetime)
Solar PV	4.7	110,632	5.1	120,780	--	--	29.2	694,920	39.0	926,332
Anaerobic Digesters	--	--	--	--	--	--	3.8	605,491	3.8	605,491
Fuel Cell	--	--	--	--	--	--	14.8	1,166,832	14.8	1,166,832
Combined Heat and Power	--	--	--	--	--	--	3.8	44,658	3.8	44,658
Wind	--	--	--	--	--	--	5.0	226,096	5.0	226,096
Total	4.7	110,632	5.1	120,780	--	--	56.6	2,737,997	66.3	2,969,409

Includes approved, closed, and completed projects

Agency Legislative Proposal - 2015 Session

Document Name (e.g. OPM1015Budget.doc; OTG1015Policy.doc): **093014_Connecticut Green Bank_Solar Home and Jobs Opportunity Act**

(If submitting an electronically, please label with date, agency, and title of proposal – 092611_SDE_TechRevisions)

State Agency: Connecticut Green Bank
Liaison: Brian R. Farnen Phone: (860) 257-2892 E-mail: brian.farnen@ctcleanenergy.com
Lead agency division requesting this proposal: Connecticut Green Bank
Agency Analyst/Drafter of Proposal: Brian Farnen

Title of Proposal
Solar Home and Jobs Opportunity Act

Statutory Reference
16-245ff

Proposal Summary

The Connecticut Green Bank proposes the development of a Solar Home Renewable Energy Credit (SHREC) Program to continue the growth of the Residential Solar Investment Program (RSIP). The SHREC will be similar to the Low Emission Renewable Energy Credit (LREC) and Zero Emission Renewable Energy Credit (ZREC) Programs as it creates a fifteen year revenue stream from the sale of the SHRECs to the non-municipal utilities (i.e., CL&P and UI). The SHREC provides much needed access to the renewable portfolio standard (RPS) market to residential ratepayers who consume over 40 percent of electricity – and therefore pay over 40% of the RPS policy compliance. To date, Connecticut residential ratepayers have received little to no direct benefits from RECs sold into the RPS in comparison to commercial and industrial customers.

In 2010, in-state renewable projects accounted for only 11% of Connecticut's Class I RPS standard. This means that 89% of the ratepayer investment in supporting renewable generation through the RPS policy was spent outside of the state. Therefore, Connecticut does not receive the economic benefits (e.g., jobs) associated with in-state projects.

The SHREC addresses these problems in a cost effective manner with an established price ceiling (i.e., the Alternative Compliance Payment of the RPS) and a declining block schedule. The SHREC creates a new class of renewable energy credits that directly benefits our state without increasing the overall size of the RPS in Connecticut. The SHREC will support renewable projects, foster the sustained, orderly development of a state-based solar industry and create jobs all in Connecticut.

Please attach a copy of fully drafted bill (required for review)

PROPOSAL BACKGROUND

- **Reason for Proposal**

Please consider the following, if applicable:

(1) Have there been changes in federal/state/local laws and regulations that make this legislation necessary?
(2) Has this proposal or something similar been implemented in other states? If yes, what is the outcome(s)?
(3) Have certain constituencies called for this action?
(4) What would happen if this was not enacted in law this session?

The Residential Solar Investment Program (RSIP) established under Public Act 11-80 requires that a minimum of 30 megawatts of new residential solar PV be installed in Connecticut on or before December 31, 2022, at a reasonable payback to the customer all the while developing a sustainable market for contractors. The RSIP provides to residential customers, via solar PV contractors, direct financial incentives in the form of expected performance-based buy-down incentives (EPBB) and

performance-based incentives (PBI) for the purchase and/or lease of qualifying residential PV systems. The Green Bank achieved the minimum goal of 30 MW of new residential solar PV eight years ahead of schedule for a fraction of the cost.

As the residential PV market in Connecticut has been doubling each of the last few years, the Green Bank cannot continue to support the growth of the industry under the current RSIP framework. If this law is not enacted, the growth of the residential PV market could stop growing in Connecticut and large national leasing companies that have recently moved in to the Connecticut market could withdraw.

The law is supported by the solar industry, environmental groups and [hoping for OCC and others?].

- **Origin of Proposal** __X_ **New Proposal** _ __ **Resubmission**

If this is a resubmission, please share:

(1) What was the reason this proposal did not pass, or if applicable, was not included in the Administration's package?
(2) Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?
(3) Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?
(4) What was the last action taken during the past legislative session?

PROPOSAL IMPACT

- **Agencies Affected** (please list for each affected agency)

Agency Name: Department of Energy and Environmental Protection (DEEP)

Approve of Proposal XX YES __NO _ __Talks Ongoing

Summary of Affected Agency's Comments

As the agency responsible for implementing the RPS policy, DEEP is in support of the SHREC policy proposal in concept. If the policy can deliver in-state renewable energy, then it will serve to provide "cleaner, cheaper, and more reliable" sources of energy.

- Cleaner – solar PV is a zero emission energy technology
- Cheaper – SHREC is less expensive than the ZREC, LREC, and operates within the ACP of the RPS
- Reliable – distributed solar reduces peak demand on the electric grid in Connecticut

The policy will also create jobs and support economic development in Connecticut.

Will there need to be further negotiation? XX YES __NO __This is uncertain at this time.

- **Fiscal Impact** (please include the proposal section that causes the fiscal impact and the anticipated impact)

Municipal (please include any municipal mandate that can be found within legislation)
None

State [TO BE DETERMINED – FISCAL IMPACT REVIEW ONGOING]

Federal

Additional notes on fiscal impact
None expected.

- **Policy and Programmatic Impacts** (Please specify the proposal section associated with the impact)

Below is the new Section 16-245ff replacing the original RSIP Program.

Raised Bill No. ____

January Session, 2015 Solar Home and Jobs Opportunity Act

AN ACT CONCERNING SOLAR HOMES AND JOBS

Section 1. Section 16-245ff of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) The Connecticut Green Bank established pursuant to section 16-245n shall structure and implement a residential solar investment program established pursuant to this section, which shall result in a minimum of [X] megawatts of new residential solar photovoltaic installations located in this state on or before December 31, 2022, the annual procurement and cost of which shall be determined by the bank in accordance with this section.

(b) The Connecticut Green Bank shall offer direct financial incentives, in the form of performance-based incentives or expected performance-based buydowns, for the purchase or lease of qualifying residential solar photovoltaic systems. For the purposes of this section, "performance-based incentives" means incentives paid out on a per kilowatt-hour basis, and "expected performance-based buydowns" means incentives paid out as a one-time upfront incentive based on expected system performance. The bank shall consider willingness to pay studies and verified solar photovoltaic system characteristics, such as operational efficiency, size, location, shading and orientation, when determining the type and amount of incentive.

(c) The Connecticut Green Bank shall develop and publish on its web site a proposed schedule for the offering of performance-based incentives or expected performance-based buydowns over the duration of any such solar incentive program. Such schedule shall: (1) Provide for a series of solar capacity blocks the combined total of which shall be a minimum of [X] megawatts and projected incentive levels for each such block; (2) provide incentives that are sufficient to provide the residential consumer with a competitive electricity price, taking into consideration the estimated cost of residential solar installations, the value of the energy offset by the system, the cost of financing the system, and the availability and estimated value of other incentives, including, but not limited to, federal and state tax incentives and revenues from the sale of solar home renewable energy credits; (3) provide incentives that decline over time and will foster the sustained, orderly development of a state-based solar industry; (4) automatically adjust to the next block once the board has issued reservations for financial incentives provided pursuant to this section from the board fully committing the target solar capacity and available incentives in that block; and (5) provide comparable economic incentives for the purchase or lease of qualifying residential solar photovoltaic systems. The Connecticut Green Bank may retain the services of a third-party entity with expertise in the area of solar energy program design to assist in the development of the incentive schedule or schedules. Nothing in this subsection shall restrict the Connecticut Green Bank from modifying the approved incentive schedule to account for changes in federal or state law or regulation or developments in the solar market when such changes would affect the expected return on investment for a typical residential solar photovoltaic system by twenty per cent or more.

(d) The Connecticut Green Bank shall establish and periodically update program guidelines, including, but not limited to, requirements for systems and program participants related to: (1) Eligibility criteria; (2) standards for deployment of energy efficient equipment or building practices as a condition for receiving incentive funding; (3) procedures to provide reasonable assurance that such reservations are made and incentives are paid out only to qualifying residential solar photovoltaic systems demonstrating a high likelihood of being installed and operated as indicated in application materials; and (4) reasonable protocols for the measurement and verification of energy production.

(e) The Connecticut Green Bank shall maintain on its web site the schedule of incentives, solar capacity remaining in the current block and available funding and incentive estimators.

(f) Funding for the residential performance-based incentive program and expected performance-based buydowns (i) may include up to one-third of the moneys collected annually under the surcharge specified in section 16-245n; (ii) may include revenue from the solar home renewable energy credit program; and (iii) may be supplemented by federal funding as may become available.

(g) The Connecticut Green Bank shall identify barriers to the development of a permanent Connecticut-based solar workforce and shall make provision for comprehensive training, accreditation and certification programs through institutions and individuals accredited and certified to national standards.

(h) On or before January 1, 2017, and every two years thereafter for the duration of the program, the Connecticut Green Bank shall report to the joint standing committee of the General Assembly having cognizance of matters relating to energy on progress toward the goals identified in subsection (a) of this section.

(i) Commencing on January 1, 2016, and within the period established in section 2 of this act, the Connecticut Green Bank and the electric distribution companies shall file with the Public Utilities Regulatory Authority for its approval a master purchase agreement for the purchase by the electric distribution companies of solar home renewable energy credits produced by eligible residential customer-sited generating projects over the duration of the purchase agreement. The master purchase agreement shall have a term of fifteen years.

(j) For purposes of this section, solar home renewable energy credits means renewable energy credits owned by the Connecticut Green Bank which are produced by eligible residential customer-sited generating projects. For purposes of this section, eligible residential customer-sited generating projects means solar photovoltaic projects which receive funding from the Connecticut Green Bank, are certified by the authority as Class I renewable energy sources, as that term is defined in subsection (20) of section 16-1 of the general statutes, that emit no pollutants, are less than twenty kilowatts in size, are located on the customer side of the revenue meter of one-to-four-family homes and serve the distribution system of the electric distribution company.

(k) The production of a megawatt hour of electricity from an eligible residential customer-sited generating project first placed in service on or after January 1, 2015, shall create one solar home renewable energy credit. A solar home renewable energy credit shall have an effective life covering the year in which the credit was created and the following calendar year. The obligation of the electric distribution companies to purchase solar home renewable energy credits pursuant to the Master Purchase Agreement shall be apportioned to electric distribution companies based on their respective distribution system loads at the commencement of the master purchase agreement period, as determined by the authority.

(l) Notwithstanding subdivision (1) of subsection (h) of section 16-244c, an electric distribution company may retire the solar home renewable energy credits it procures through the master purchase agreement to satisfy its obligation pursuant to section 16-245a.

Sec. 2. (NEW) (*Effective from passage*):

(a) To develop the master purchase agreement described in section 1 of this act, the Connecticut Green Bank and each electric distribution company shall negotiate in good faith the final terms of the draft master purchase agreement. After thirty days, any party may request the assistance of the Public Utilities Regulatory Authority to resolve any outstanding issues. No such master agreement may become effective without approval of the authority.

(b) To carry out the purposes of section 1 of this act, the Connecticut Green Bank and the electric distribution companies shall, not later than one hundred eighty days after July 1, 2015, negotiate and develop the master purchase agreement and submit such agreement to the authority for its approval. The authority shall hold a hearing that shall be conducted as an uncontested case, in accordance with the provisions of chapter 54, to approve, reject or modify an application for approval of the master purchase agreement.

(c) The purchase price of solar home renewable energy credits shall be determined by the Connecticut Green Bank annually and shall not exceed the lesser of the price of small zero-emission renewable energy credit projects for the preceding year or the alternative compliance payment pursuant to section 16-245(k) of the general statutes.

(d) The electric distribution companies shall be entitled to recover their reasonable costs and fees prudently incurred of complying with the master purchase agreement through a reconciling component of electric rates as determined by the authority. Nothing in this section shall preclude the resale or other disposition of energy or associated renewable energy credits purchased by the electric distribution companies, provided the distribution company shall net the cost of payments made to projects under the master purchase agreement against the proceeds of the sale of energy or renewable energy credits and the difference shall be credited or charged to distribution customers through a reconciling component of electric rates as determined by the authority that is nonbypassable when switching electric suppliers.

JOINT COMMITTEE OF THE ENERGY CONSERVATION MANAGEMENT BOARD AND THE BOARD OF DIRECTORS OF THE CONNECTICUT GREEN BANK

BYLAWS

PURSUANT TO

Section 16-245m(d)(2) of the

Connecticut General Statutes

Adopted ___________, 2014

ARTICLE I
NAME, PLACE OF MEETINGS

1.1. **Name of the Committee**. The name of the Committee shall be, in accordance with the Statute, the "Joint Committee of the Energy Conservation Management Board and the Connecticut Green Bank".

1.2. **Meetings of the Committee**. The meetings of the Committee shall be held at such place or places within the State of Connecticut as the Committee may designate.

ARTICLE II
COMMITTEE MEMBERSHIP

2.1. **Membership**. The Committee shall consist of no more than nine (9) members. Both the Board of Directors of the Connecticut Green Bank and the Energy Conservation Management Board shall appoint no more than (2) voting Directors and (2) nonvoting members from their respective boards to serve on the Committee. Additionally, the Commissioner of the Department of Energy and Environmental Protection, or her or his designee, shall be a voting ex officio member of the Committee.

2.2. **Term**. Each member of the Committee shall serve a term of two (2) years or until a successor is appointed, whichever is longer.

2.3. **Chairperson**. The Committee shall elect from its members a Chairperson who shall serve a term of one (1) year or until a successor is chosen by the Committee, whichever is longer. The Chairperson shall preside at all meetings of the Committee which he or she attends.

2.4. **Vice Chairperson**. The Committee shall elect from its members a Vice Chairperson who shall serve a term of one (1) year or until a successor is chosen by the Committee, whichever is longer. In the absence or incapacity of the Chairperson, the Vice

Chairperson shall perform all the duties and responsibilities of the Chairperson. In the absence or incapacity of the Vice Chairperson, or in case of his or her resignation or death, the Committee shall elect from amongst its members an acting Vice Chairperson during the time of such absence or incapacity or until such time as the Committee shall elect a new Vice Chairperson.

2.5. **Secretary**. A Secretary may be elected by the Committee. The Secretary shall perform the duties imposed by resolution of the Committee. In the absence or incapacity of the Secretary, or in case of his or her resignation or death, the Committee shall elect from amongst its members an acting Secretary who shall perform the duties of the Secretary during the time of such absence or incapacity or until such time as the Committee shall elect a new Secretary. The Secretary shall serve until a successor is elected by the Committee.

ARTICLE III
POWERS AND DUTIES OF THE COMMITTEE

3.1. **Powers and Duties**. The Committee shall examine opportunities to coordinate the programs and activities contained in the plan developed under section 16-245n(c) of the General Statutes with the programs and activities contained in the plan developed under section 16-245m(d)(1) of the General Statutes and to provide financing to increase the benefits of programs funded by the plan developed under section 16-245m(d)(1) of the General Statutes so as to reduce the long-term cost, environmental impacts and security risks of energy in the state.

ARTICLE IV
COMMITTEE MEETINGS

4.1. **Regular Meetings**. Regular meetings of the Committee for the transaction of any lawful business of the Committee shall be held in accordance with a schedule of meetings established by the Committee, provided that the Committee shall meet at least four (4) times per calendar year.

4.2. **Special Meetings**. The Chairperson may, when the Chairperson deems it expedient, call a special meeting of the Committee for the purpose of transacting any business designated in the notice of such meeting.

4.3. **Legal Requirements**. All meetings of the Committee shall be noticed and conducted in accordance with the applicable requirements of the Connecticut Freedom of Information Act, including without limitation applicable requirements relating to the filing with the Secretary of the State of any schedule of regular meetings and notices of special meetings, meeting notices to Committee members, public meeting requirements, the filing and public availability of meeting agenda, the recording of votes and the posting or filing of minutes, the addition of agenda items at any regular meeting, and the holding of any executive session.

4.4. **Order of Business.** The order of business of any meeting of the Committee shall be as set forth in the agenda for such meeting, provided that the Committee may vary the order of business in its discretion.

4.5. **Organization**. At each meeting of the Committee, the Committee Chairperson, or in the absence of the Committee Chair, the Vice Chairperson, shall act as Presiding Officer. The Presiding Officer shall prepare or direct the preparation of a record of the business transacted at such meeting. Such record when adopted by a majority of the Committee members in attendance at the next meeting and signed by the Committee Chairperson shall be the official minutes of the Committee meeting.

4.6. **Attendance**. Any member of a Committee may participate in a meeting of the Committee by means of teleconference, videoconference, or similar communications equipment enabling all Committee members participating in the meeting to hear one another, and participation in a meeting pursuant to this Section shall constitute presence in person at such a meeting.

4.7. **Quorum**. A quorum of the Committee shall consist of a minimum of at least three (3) voting members.

4.8. **Enactment**. When a quorum is present, an affirmative vote of a majority of voting members attending the Committee meeting shall be sufficient for action, including the passage of any resolution, except as may otherwise be required by these Bylaws or applicable law.

4.9. **Parliamentary Authority**. Robert's Rules of Order, current revised edition, shall govern the proceedings of the Committee when not in conflict with these Bylaws.

ARTICLE V
COMMITTEE STAFF

5.1. **Committee Staff**. The Committee may from time to time and upon a majority vote of the voting members request that employees and contractors from either the Connecticut Green Bank or the Energy Conservation Management Board assist the Committee with its work. Said assistance may include but not be limited to taking minutes of Committee meetings, conducting research or analyzing information.

ARTICLE VI
AMENDMENT

6.1. **Amendment or Repeal**. These Bylaws may be amended or repealed or new Bylaws may be adopted by the affirmative vote of not less than four (4) voting members of the Committee.

ARTICLE VII
DEFINITIONS

Definitions. Unless the context shall otherwise require, the following words and terms shall have the following meanings:

7.1.1. "Chairperson" means the Chairperson of the Committee appointed pursuant to these Bylaws.

7.1.2. "Committee" means the Joint Committee of the Energy Conservation Management Board and the Board of Directors of the Connecticut Green Bank.

7.1.3. "Connecticut Freedom of Information Act" means the Connecticut Freedom of Information Act, Connecticut General Statutes § 1-200 *et seq.*, as amended.

7.1.4. "General Statutes" means the Connecticut General Statutes, as amended.

7.1.5. "Majority", whether capitalized or lowercase, means one more than half.

7.1.6. "Presiding Officer" has the meaning attributed to that term in Article IV, Section 4.5 of these Bylaws.

7.1.7. "Secretary" means the Secretary of the Committee elected pursuant to these Bylaws.

7.1.8. "Statute" means Connecticut General Statutes § 16-245m(d)(2), as amended.

7.1.9. "Vice Chairperson" means the Vice Chairperson of the Committee elected pursuant to these Bylaws.