

CONNECTICUT GREEN BANK

Board of Directors

Regular Minutes

Thursday, February 15, 2018

A special meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on February 15, 2018 at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope board room.

1. Call to Order

Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 5:07 p.m. Board members participating: Bettina Bronisz (by phone), John Harrity, Matt Ranelli, Rob Klee, Eric Brown, and Gina McCarthy (by phone)

Members Absent: Tom Flynn, Kevin Walsh, and Betsy Crum

Others Attending:

Staff Attending: Bryan Garcia, Mackey Dykes, Brian Farnen (by phone), Kerry O’Neill (by phone), Eric Shrago, George Bellas, Bert Hunter, Cheryl Samuels, Craig Connolly Kim Stevenson, Dale Hedman and Mike Yu.

2. Public Comments

There were no public comments.

3. Consent Agenda

Bert Hunter provided an update on the SHREC. He stated that both the Independent Engineer (IE) and the underwriting portions of the RFP had been closed. He said that the SHREC working group had a kickoff meeting yesterday with the IE and that the process is moving along and on track. He stated that for the underwriting portion the Green Bank received six proposals, one of which was an advisory proposal. He stated that as the RFP required actual funding, the advisory proposal has been effectively eliminated, so the working group has five proposals to consider with a variety of financing approaches having been presented. He said that the working group is in the process of scoring and ranking those five proposals with the idea of “down selecting” to two or three finalists and then proceed with further negotiations until a decision is made to move forward with one proposal.

Commissioner Smith questioned if the numbers they received in the proposals were in the ballpark of what is needed. Bert Hunter stated that the interest rates at the lower end were within the working group’s expectations. Commissioner Smith questioned if there was enough room to make something work. Bert Hunter noted that yes, but it will depend on which proposal they take. He stated that if the working group decides on a

proposal that is fully underwritten, the Green Bank may be able to avoid a bridge facility. He reported that the Finance team is testing the market for a separate bridge facility. He stated that the benefit would be that a separate bridge facility would allow them time to negotiate with the other parties to offer the best possible deal. He said that if they go with a capital markets approach with a public issuance of bonds, the Green Bank would definitely need a bridge facility in order to provide financial liquidity needed within the time frame expected, since a bond issue would take until the late Summer to complete.

George Bellas provided an overview of the cash flow projections. He stated that the projections presented follow the same format as the cash flow models presented at the December Board meeting. He said that moving forward, at the end of every month, he will provide the Board with actual monthly cash flow data, as well as, monthly projections. He said that there are two parts to the model, the investment business segment and the incentive business segment. As of January 31st, the Green Bank had, approximately \$12.5 million in unrestricted cash, and \$21.5 million restricted cash on hand. He stated that in general, from November through January, actual cash flows are in line with what had been projected for this period.

Commissioner Smith questioned the incentive business net cash position and it being a negative. George Bellas stated that for modeling purposes this is just a temporary situation until the SHREC securitization is completed.

Upon a motion made by John Harrity, and seconded by Rob Klee----, the Consent Agenda was unanimously approved.

Resolution #1

Motion to approve the minutes of the Board of Directors Meeting for January 26, 2018.

4. Legislative Business

Bryan Garcia provided a high-level overview of the legislative objectives. He stated that the staff have been doing significant outreach to legislative leaders. He said that the staff are out there speaking to elected officials as well as their staff. He stated that educating their staff has been very important regarding what the Green Bank does.

Bryan Garcia discussed the quarterly financial reports submitted to the Office of Fiscal Analysis, stating that the legislative leaders believed and kept saying that the Green Bank had \$130 Million of cash on their books. He noted that \$130 million is the net position not cash on the books or liquid assets. He said that the staff have had conversations with OFA staff educating them about the Green Bank and its financial position. He stated that staff are working together to revise the Green Bank's quarterly submission so that it is more self-explanatory. He stated that staff are putting descriptions on those submissions, as well to further clarify what the numbers mean.

Bryan Garcia discussed the Office of Legislative Research. He stated that Representative Lonnie Reed has been doing an OLR report on the Green Bank. He said that staff are breaking down the annual sources of funds (e.g., Clean Energy Fund, RGGI, etc.), sweeps (including bond authorizations), and the impact that the Green Bank is delivering to the State, regarding jobs, public and private investment, environmental protection, and tax revenues. He stated staff are also breaking down their social impact. He said that staff feel that this will set a baseline with regards to what the Green Bank is delivering to the state and how the legislators will look at the Green Bank. This OLR document will provide legislative leaders with basic information on the Green Bank.

Bryan Garcia discussed public policy support and priorities, including the restoration of the RGGI and System Benefit Funds (e.g., Clean Energy Fund). He stated that it is important that the priority be to restore RGGI as this source of funding benefits all stakeholders – DEEP, utilities, and the Green Bank. He said that they feel that it's important to be working together to support restoring the systems benefit funds and to prevent deeper sweeps.

Matt Ranelli stated that they should be looking at it all, not one or the other. He said that they need a legislative leader to be the champion. Bryan Garcia noted that the sweep was so large that it's difficult restoring everything given the budget. He stated that the Governor has put forward the restoration of RGGI and the Clean Energy Fund in FY 2019. He said that they have been working hard to communicate that they're trying to move things together. Bryan Garcia stated that there are some activities from energy and community members sharing opinions to finding ways to restore the funds. He said that they are very public about the need to restore the funds and that it was a big mistake by sweeping them.

Eric Brown questioned if other folks are pushing equally as hard for the Green Bank and Efficiency Fund. Bryan Garcia stated that they're focused on doing both. He said that they are out there advocating for the restoration of the RGGI Funds as a priority because this source of funds benefits everyone.

Brian Farnen stated that based on what they saw the last session with a lack of coordination, both SBC funds are much stronger working together. He said that there are groups out there pitting the funds against each other and that is not helpful to the Green Bank or the Efficiency Fund. He stated that he feels it's most important to get their message out and focus on education as there was a lot of confusion last session. Brian Farnen noted that they've been very proactive and that if they can show the value, that will directly help the Green Bank.

Bryan Garcia provided an overview of the Governor's Bill. He stated that this is an aggressive energy bill that proposes a number of things to advance clean energy in Connecticut.

Commissioner Klee stated that they need to keep things relatively within the same sort of cost zone, throughout procurement the costs will hopefully go down. He said that it does potentially bring in other things other than the utilities.

Bryan Garcia discussed the increase in the Class I RPS from 20 percent by 2020 to 40 percent by 2030, along with including language that would reduce the Alternative Compliance Payment to \$40, as well as the provisions around residential solar. He stated that the Governor's bill is looking at a tariff structure as a follow-on to net metering. He noted that the bill includes a tariff pilot and that the Green Bank will work with DEEP and the local solar installers to implement and understand it.

Bryan Garcia discussed the C&I clean energy market. He stated that staff are looking for a fix for the next year and beyond to accommodate for the conclusion of the ZREC and LREC policy.

Commissioner Klee stated that the DEEP staff attempted to look at both C&I and the residential side. He said that one option was to extend them for another ten years. He stated that it is expensive. He reported that they saw with these proposals the ability to save over a billion dollars. He said that they need to find the right balance and not overpay, as well as receive a reasonable return. He stated that they need five years of this to keep going in an orderly fashion and not be subject to wild fluctuations.

Dale Hedman stated that the tariff structure allows them to incentivize the things that they want to happen and to have significant advancements like time of use rates.

Bryan Garcia pointed out the policy proposal in the Governor's Bill that would increase the Clean Energy Fund by a mill and sunset it at the conclusion of FY 2025. He stated that the senior staff feels that there's an alternative approach to address the issue of self-sufficiency. He noted two proposals, including a System Benefit Assessment, which would require the legislature to assess as to how any proposed sweeps would impact the Green Bank; and a strengthening of statutory Non-Impairment provisions, which would protect the rights of counterparties that the Green Bank has engaged with.

Brian Farnen discussed the System Benefit Assessment policy language. He stated that staff is trying to get the legislature to better understand the impact of what the sweep did. He said our alternative legislative proposal is meant to address the lack of understanding of the what the effect of the sweeps would be. He said that staff want the legislature committed to doing an assessment of the funds and the impact that it would have on both the Green Bank and the State. He stated that it would not prohibit them from being able to sweep the funds, it's just meant to be like a pause button prior to sweeping the funds to make all stakeholders aware of the impact of any potential sweep.

Gina McCarthy stated that she feels that staff need to narrow the language so that everyone can't just utilize this same type of approach. Brian Farnen stated that staff could do that.

Commissioner Klee stated that the language is essential, but that the legislature can disregard it. He said that it's not an easy task to come up with something that's foolproof.

Commissioner Smith inquired into the Sunset for the additional mill. She stated that they need to understand the tradeoff.

Bert Hunter stated that the tradeoff is coming on the heels of the sweep. He noted that since the General Assembly showed a willingness to take all of the Green Bank funds (and eventually settled on half of the Green Bank's funds) this has created a negative perception with capital providers. He stated that Bank of America withdrew their commitment and that they had another major capital provider pull out of the SHREC discussions due to the sweeps. He said that the gaps in the market are long term. He stated that it's much easier to get capital for five to seven years, but beyond ten years, it's challenging, and the sunset will make it even more challenging and costlier for the Green Bank to fill these longer term gaps.

Commissioner Smith suggested that this is the case with or without the Sunset Provision. She stated that they could get swept any day. Bert Hunter agreed but noted that the sunset would create a lack of long term stability on top of that and would lead to capital flight.

Gina McCarthy stated that she's reluctant to argue against something that the Governor put down without giving some leeway.

Brian Farnen stated that they did consider that approach. He noted that the Green Bank had a pretty good run over the past five years and fundamentally changing the organization at a time when we are still gaining our footing from the sweeps would be difficult.

John Harrity stated that they need to study the impact of how the Green Bank reaches its goals and that the issue is climate change.

Bettina Bronisz stated that she feels that staff should be more engaged with the legislature.

Mackey Dykes stated that he doesn't feel that the Green Bank is getting protection from future raids by agreeing to sunset the CGB funding in 2025 because our balance sheet could still be swept and the SBC would be gone to help mitigate the damage. Commissioner Smith stated that it is very early in the process. She stated that they need to continue talking about the issues.

Eric Brown stated that the argument of the Green Bank heading towards self-sufficiency is a powerful one. He said that in terms of the future, maybe they should put language in about the Sunset Provision, but they can always go back again.

5. **Adjourn**

Upon a motion made by John Harrity, and seconded by Commissioner Klee, the meeting was adjourned at 6:25 p.m.

Respectfully Submitted,

Catherine Smith, Chairperson