SBEA Recapitalization RFP
Webinar Q&A – May 9, 2018
Green Bank & CT Utilities

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1) Explain how loan losses and interest rate buydown will be funded/applied for both the pre-existing loan portfolio ($42mm) as well as new loans?
    a. CEEF capital for loan losses and interest rate buydown is currently budgeted for on an annual basis and in advance based on historic loss trends, Utility cost of capital, and expected loan volumes. RFP respondents should stipulate any CEEF budgeting requirements over and above, or differing from, this current practice that would be required to provide financing for both the existing portfolio of loans and new loans.

2) You mentioned that reimbursements for losses in excess of the budgeted amount of the EDC's are trued up by CEEF in the following year. Can you confirm that it is to the utility and not to the third-party funder?
    a. The Utilities currently cover any liquidity gap arising if losses or interest rate buydown exceeds the amount of CEEF funding budgeted for that year. Third-party capital providers should consider alternative methods for avoiding or covering any liquidity gaps in their proposals, be it via a reserve or other means.

3) What if loan originations and therefore the amount of interest rate buydown exceed budget, are loss reserve funds compromised in that year, and does that answer expose third parties to have more unreimbursed loss carry over to the next year?
    a. There is the potential for that to happen, depending upon the budget, amount of interest rate buydowns used, and losses realized. This is related to the response to question 2 above, which is to say that capital providers should consider how to manage this possibility in their proposals.

4) How is the amount of loan loss being calculated given the annual process to sure-up and pay for any defaulted loans? Is it acceptable to request quarterly or semi-annual recover periods?
    a. Budgets are developed based on actual losses from the prior year and considering the estimation of projected loan losses based the delinquent loans in process that may need to be written off. The loan portfolio has been strong with loan losses averaging less than 1.0% of loan volumes.
    b. If a buffer, reserve or more frequent true-up of the CEEF budget is needed to make a financing party more comfortable, please feel free to include this as part of your RFP response.

5) Can you provide a description of what a typical 10 kW and 200 kW customer look like?
    a. 10 kW – small facility (i.e., barbershop, small store, subway shop); 200 kW – small manufacturing facility/machine shop, small school, car dealership).

6) What would be the logistical and procedural process if the Utilities continued to originate SBEA loans? Would the sale/refinance be monthly or some other period; or as each loan is originated? Are the Utilities contemplating entering into a direct purchase agreement with the financing party?
    a. If the Utilities continue to originate SBEA loans, the Utilities would continue to pay both loan proceeds and incentives directly to the contractor. Given the number of individual

loan transactions, it would be administratively burdensome to refinance each loan individually. Ideally loans would be bundled and refinanced either on a predetermined schedule (e.g. monthly or quarterly) or once a certain loan volume is reached (e.g. tranches of $[x]m) depending on the facility and financier's preferences.

b. Utilities could enter into direct purchases by the capital provider for each tranche of loans

7) Who would own and operate an SPV that would house and originate SBEA loans? Would it be jointly owned by CGB and the Utilities or would either party be the sole member?
   a. If an SPV is established the Green Bank would manage the entity given its experience in a similar capacity for a variety of existing programs. The Utilities are not looking to take on any additional financing responsibility or to set up SPVs. The RFP, as written, does not assume or require an SPV and thus would only be established in the event an RFP response required it as part of the financing structure.

8) What if any protection is there for financing companies entering into contract with an SPV owned by CGB vs. the Utilities? How does this protection provide assurances for the finance party from the State taking additional funds from CEEF that may impair its ability to fund SBEA and its various other programs?
   a. CGB counterparties are protected through the statutory "non-impairment" protection (see Subsection (h) of CGS Section 16-245n below recently strengthened by the CT legislature), whereby once a third-party enters into a contract with the Green Bank, the State of Connecticut cannot do anything (such as sweep funds) that would impair the Green Bank's ability to uphold its obligations under the contract or arrangement.
   b. CEEF does not benefit from this "non-impairment" protection. As we have seen both CEEF and the Green Bank are not immune to State budget reductions , thus respondents should indicate what protections or enhancements they would require, such as reserve requirements, to protect their capital under such a scenario.

**Sec. 10. Subsection (h) of section 16-245n of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):*

(h) (1) The state of Connecticut does hereby pledge to and agree with any person with whom the Connecticut Green Bank may enter into contracts pursuant to the provisions of this section that the state will not limit or alter the rights hereby vested in said bank until such contracts and the obligations thereunder are fully met and performed on the part of said bank, provided nothing herein contained shall preclude such limitation or alteration if adequate provision shall be made by law for the protection of such persons entering into contracts with said bank. The pledge provided by this subsection shall be interpreted and applied broadly to effectuate and maintain the bank's financial capacity to perform its essential public and governmental function.

(2) The contracts and obligations thereunder of said bank shall be obligatory upon the bank, and the bank may appropriate in each year during the term of such contracts an amount of money that, together with other funds of the bank available for such purposes, shall be sufficient to pay such contracts and obligations or meet any contractual covenants or warranties.

9) When do we want to close?

    a. As soon as possible with a cutover to the new funding source not later than Jan 1, 2019.

10) Does the State of Connecticut have the ability, and/or has the State ever taken back or repurposed any funds collected by UI or Eversource under the CEEF fund?

    a. Yes, after lengthy negotiations in the State legislature to agree on the recent State budget, approximately $63.5m of FY 17/18 CEEF funds were transferred to the State General Fund, and in FY 18/19 an additional $31.8m will be transferred from the CEEF to the General Fund as well. See the "Transfer to State General Fund" row in Figure 1, page 4 of the RFP document.

11) Is Figure 1 on Page 4 of the Connecticut Green Bank RFP, intended as the referenced tracking of "*CEEF revenues and expenditures by account, including accounting for SBEA Program elements*."? If not, can we get access to such reporting?

    a. Please see "Small Business" and "C&I Finance" line items within pages 39 - 42 of the *2018 Plan Update of the 2016-2018 Conservation & Load Management Plan*, available at this link: 2018 Plan Update

12) On Page 5 of the RFP, the CEEF is described as a "virtual" fund that remains part of the EDCs' aggregate cash resource, and the following was put forth and affirmed: *"CEEF proceeds are identified as a separate (emphasis added) account on the EDC's balance sheets."* Could the Connecticut Green Bank please direct us specifically to the item(s) or note(s) within each of the respective EDC's published financial statements where CEEF proceeds are so identified as separate accounts?

    a. Expenditures associated with the CEEF budget are referred to as "Energy Efficiency Programs" in the Utilities' financials. A screen grab of Eversource's Connecticut financials (d/b/a The Connecticut Light & Power Company or "CL&P")) are included below and available on Page 51 of the following link: Eversource 10K Filing

RESULTS OF OPERATIONS – THE CONNECTICUT LIGHT AND POWER COMPANY

The following provides the amounts and variances in operating revenues and expense line items in the statements of income for CL&P for the years ended December 31, 2016, 2015, and 2014 included in this Annual Report on Form 10-K

Comparison of 2016 to 2015:

	For the Years Ended December 31,			
(Millions of Dollars)	2016	2015	Increase/(Decrease)	Percent
Operating Revenues	$ 2,806.0	$ 2,802.7	$ 3.3	0.1 %
Operating Expenses:				
Purchased Power and Transmission	919.7	1,054.3	(134.6)	(12.8)
Operations and Maintenance	490.1	487.3	2.8	0.6
Depreciation	230.5	215.3	15.2	7.1
Amortization of Regulatory Assets, Net	38.8	12.3	26.5	(a)
Energy Efficiency Programs	154.0	153.7	0.3	0.2
Taxes Other Than Income Taxes	299.7	268.7	31.0	11.5
Total Operating Expenses	2,132.8	2,191.6	(58.8)	(2.7)
Operating Income	673.2	611.1	62.1	10.2
Interest Expense	144.1	145.8	(1.7)	(1.2)
Other Income, Net	13.5	11.5	2.0	17.4
Income Before Income Tax Expense	542.6	476.8	65.8	13.8
Income Tax Expense	208.3	177.4	30.9	17.4
Net Income	$ 334.3	$ 299.4	$ 34.9	11.7 %

(a) Percent greater than 100 not shown as it is not meaningful.

Operating Revenues
CL&P's retail sales volumes were as follows:

	For the Years Ended December 31,			
	2016	2015	Decrease	Percent
Retail Sales Volumes in GWh	21,617	22,071	(454)	(2.1)%

13) There seems to have been a spike in loan losses in 2004-2005; could this be explained?
    a. The increase in write-offs was due to changes in Eversource's collection process, particularly within its customer service and legal teams. This was an overall process change within Eversource, not specific to the SBEA Program. While actual loan delinquencies remained constant over the period, the new process resulted in an earlier write-off process, so the effect of the switch itself resulted in a temporary increase in the number of write-offs (loans that would have otherwise been written off later).

14) Will "loan losses" include cancellations by municipalities due to fiscal funding outs?
    a. It is expected that CEEF will reimburse all losses associated with SBEA loans, regardless of reason behind the loss. Currently however there are no known instances of an SBEA loan to a municipality being canceled or forgiven due to municipal budgetary issues.

15) In the event a company has an outstanding SBEA loan and then moves, are they required to repay the SBEA loan in full when terminating their utility account at the premises?
    a. There is some flexibility the SBEA loan recipient can either pay off their loan upon terminating their service and/or have the new occupant take over the existing loan (if they agree) which would be accomplished with a new loan agreement signed between EDC and new occupant.

16) Is there a place to get a good idea of what the revenue line items for the CEEF are exactly and their history?
    a. The Conservation & Load Management (C&LM) Plan contains additional detail on the CEEF sources and uses. The most recent versions are available here:
        i. 2013-2015 C&LM Plan
        ii. 2016-2018 C&LM Plan
        iii. 2018 Plan Update (to the 2016-2018 C&LM Plan)