CONNECTICUT GREEN BANK
Board of Directors
Regular Minutes
Wednesday, June 13, 2018

A regular meeting of the Board of Directors of the Connecticut Green Bank (the "Green Bank") was held on June 13, 2018, at the office of the Green Bank, 845 Brook Street, Rocky Hill, CT, in the Colonel Albert Pope boardroom.

1. **Call to Order**

   Catherine Smith, Chairperson of the Green Bank, called the meeting to order at 3:02 p.m. Board members participating: Betsy Crum (by phone), Matt Ranelli (by phone), Gina McCarthy (by phone), Kevin Walsh (by phone), Rob Klee, Bettina Bronisz, and John Harrity

   Members Absent: Tom Flynn and Eric Brown

   Others Attending: Guy West, Michael Freeman (by phone), and Chris Martin

   Staff Attending: Bryan Garcia, Cheryl Samuels, Kerry O'Neill, Brian Farnen, Bert Hunter, Jane Murphy, Mackey Dykes, Kim Stevenson, George Bellas, Eric Shrago, and Ben Healey

2. **Public Comments**

   There were no public comments.

3. **Consent Agenda**

   Commissioner Smith stated that they wanted to move Agenda item 5a to the front of the meeting.

   Upon a motion made by Commissioner Klee and seconded by John Harrity, the Board voted unanimously to approve.

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

   Bert Hunter provided an update on the Securitization for SHREC. He discussed the Webster, Liberty warehouse funding facility that the Board had previously approved. He stated that the first two tranches of the SHREC would securitize $70 – 75 million in gross revenue and that the warehouse facility would bridge a portion of the funding Green Bank expects to receive from the ultimate securitization being arranged by Royal Bank of Canada Capital Markets ("RBC"), the winner of the RFP for the SHREC securitization. He stated that they had received the credit agreement and expected to close by the end of the month. He stated that they are planning to take the full $9 million from the facility at closing, although the final amount could be less depending upon Green Bank's cash position. Commissioner Smith questioned if the $9 million from the facility will be in advance of the two payments that need to be made to the Treasurer for the sweeps. Bert Hunter stated, yes. Commissioner Smith questioned what the interest rate would be for the facility. Bert Hunter stated that it would be about 4 ½%. Bettina Bronisz questioned why they were making two payments to the Treasurer. George Bellas stated that it's due to the wire limits that the Green Bank has in place. Brian Farnen stated that the Green Bank does not need the warehouse to make the first payment to the Treasurer.

Bert Hunter stated that they can draw the $9 million at closing and that he and George Bellas will discuss how much liquidity they need. He stated that they are permitted to draw on the warehouse periodically. George Bellas explained the Green Bank's cash position briefly. Commissioner Smith questioned if this cash position included the money from DEEP. George Bellas stated, no. He stated that it does not include other restricted monies, either.

Commissioner Smith questioned the pricing for the issuance and how they would characterize it. Bert Hunter stated that the "spread", as the capital markets tends to evaluate these transactions in terms of pricing, is likely to price a bit greater than typical solar securitizations. He stated that the Green Bank is a first-time issuer. He stated that this is not a typical PPA-backed securitization, although it shares many of the same traits with those PPA-backed securitizations and RBC intends to draw on these similarities when marketing the investments. He stated that RBC intends to emphasize that the SHREC securitization is the same kind of production risk. Bert Hunter stated that in contrast to solar PPA securitizations that involve consumer credit risk, the SHREC securitization involves payments from counterparties that are regulated utilities that benefit from regulated returns and full cost recovery for the payments they make under the SHREC contract. He stated that there is only limited recourse to the Green Bank. He stated that the payments by the utilities are fully recoverable from ratepayers. He stated that they are confident that they will get around $45 million from this issuance. Bettina Bronisz questioned if this was for both tranches. Bert Hunter stated, yes.

Commissioner Smith questioned how many tranches they expect. Bert Hunter stated it was a maximum of 6, but that they expect it to be 5, stating that they will still get the full 240 megawatts under the program.

George Bellas provided a high-level overview of the cash flow projections, as well as actuals through May 2018. He discussed the investments. He stated that there is nothing unusual from an operations point of view that would impact the June cash flow forecast. Bryan Garcia stated that they are still working through the processes and bringing forward the estimates of the revenues and expenses. George Bellas stated that once they receive the proceeds from the SHREC securitization in November, they will pay off the advances received under the SHREC warehouse.

In response to a question from Commissioner Smith, Bert Hunter stated that as was discussed in December with the Board, the Green Bank has an investment and an incentive business. He stated that RSIP, the incentive side, is a zero-sum / full recovery type of operation (being funded prior to the SHREC from the system benefit charge and with the SHREC from revenues from the Master Purchase Agreements with the utilities). He stated that the investment side is how the Green Bank becomes sustainable over time. Commissioner Smith questioned the expenses associated with the SHREC – and how she recalled the investment business was going to get some money back from the SHREC. Bert Hunter stated that until the securitization is complete, the investment side has and will be paying the incentive side to fund payments to third party owners and homeowners. Bettina Bronisz questioned if there was some point when the SHREC would not need working capital. Bert Hunter stated, yes – once the securitization settles out – the SHREC program will be able to fully fund itself.

Commissioner Klee questioned when the annual sweep was. George Bellas stated that they had assumed two payments throughout the year. He stated that they get money from the utilities and then they have to pay it back to the Treasurer. He stated that they are hoping to split the $14 million payment in FY19 in half. Bettina Bronisz questioned if the compensation and benefits reflect the employees going to the nonprofit. George Bellas stated that it's net of the employees going over.

Resolution #1

Motion to approve the meeting minutes of the Board of Directors for May 25, 2018.

4. Nonprofit Organization – Underserved Markets

Bryan Garcia provided an update on the budget process, targets, and revenues. He discussed the expenses for the Fiscal Year. He stated that at the Budget and Operations Meeting they would get through the targets, revenues, and expenses and discuss cash flow and investments. He stated that they hope to come back to the Board at the end of June with a recommendation from the Budget and Operations Committee. He stated that they want everyone to be comfortable and have all questions answered with regards to the nonprofit.

Bryan Garcia discussed the proposed budget for expenses for FY2019, stating that it's still in draft form. He stated that they would see a 27% reduction in expenses from FY2018. He stated that this is part of the sustainability plan. He stated that they are still working through other program-related expenses. He stated that they are making great progress.

Kerry O'Neill discussed the capital raising side of the nonprofit. She stated that the Kresge Foundation approved a $10 million Balance Sheet guarantee. Ben Healey stated that they are very excited about the Kresge vehicle. Kerry O'Neill stated that the Kresge Foundation also committed $300,000 to operating support and expansion opportunities.

Ben Healey discussed the Tax Equity Market, stating that it continues to evolve. He stated that they are looking to structure a new approach to Tax Equity that works on a project-by-project basis, as it is not the same level of upfront commitment / exposure as a fund-based model. He stated that this approach is a bit more conservative given the unknowns associated with the CT market and the broader project pipeline.
Kerry O'Neill discussed the Hewlett award that Connecticut and Michigan won. She stated that they had been awarded $250,000 to do the development on a new online platform for Smart-E. Bert Hunter stated that the award is 25% of the global pot that Hewlett made available under the RFP.

Ben Healey stated that they are setting up an entity focused on underserved markets and credit challenged customers. He stated that having a nonprofit going after this piece of the market has a unique appeal in the market. Bettina Bronisz questioned where the DEEP money was coming from. Commissioner Klee stated that none of the money is from general funds. He stated that it's merger money and not ratepayer or taxpayer dollars. Bettina Bronisz questioned if DEEP needed approval to use the money. Commissioner Klee stated, no.

Both Commissioner Smith and Betsy Crum acknowledged the team for their great work.

Bryan Garcia provided a high-level overview of the contractual agreements. Brian Farnen discussed the four proposed PSAs, stating that the key is to remember that these are outsourcing of programs, but that the Green Bank will remain the face of the brand in Connecticut. Commissioner Smith questioned if they are setting targets in each of the individual PSA's. Brian Farnen stated that yes, there will be clear goals and that incentives will be based on meeting those targets starting in year two. He stated that after one year, they will agree on what the targets for the next year should be. He said at that point they will set the potential compensation and funding, stating that it is a 6-year PSA. He stated that funding is based on the transitioned headcount supporting each program and the correlating salary at a reduced overhead rate. Bettina Bronisz questioned how the Green Bank was setting salaries for IPC. Brian Farnen stated that they wouldn't be setting the exact salaries, but the compensation funding coming from the Green Bank would be based on the transitioned employees' current salary. Bert Hunter stated that after the first 3 years, the support from the Green Bank will be reduced by 50% for salaries. He stated that IPC will still be fully servicing the Green Bank products. Eric Shrago stated that there will be a regular look back to determine any cost savings going back to the Green Bank. Commissioner Smith questioned if they could add something stating that if the Green Bank becomes less than 50% that they would take a look at staffing. Matt Ranelli stated that this is the same thing that was discussed in December. He stated that as long as IPC is hitting their targets, then the Green Bank is receiving their value. Commissioner Smith stated what if the Green Bank is showing losses and the non-profit is showing a nice gain. She stated that who is paying for what might have to shift so that the Green Bank's bottom line doesn't suffer. Commissioner Klee stated that the Green Bank is paying for them to do the work in Connecticut to continue the programs. Commissioner Smith stated that she remained concerned, stating that the Green Bank needs to be successful. Betsy Crum stated that this plan gets the Green Bank on a sustainable path quicker. Bettina Bronisz questioned what would happen to the revenues from the other states. Commissioner Klee stated that they would stay with IPC. He stated that that is part of the value of the nonprofit and that it allows them the opportunity to grow in that area. Bettina Bronisz questioned if they could get some return from business done in other states. Brian Farnen stated that this is more of outsourcing arrangement, not an investment. Eric Shrago stated that this is a fee for service. Commissioner Smith stated that she feels strongly that the Green Bank should be able to reduce its investment in the nonprofit. Eric Shrago stated that they have an annual look back at the fees and negotiation for costs. Ben Healey stated that they are trying to create an extension of Green Bank infrastructure.

Brian Farnen discussed the Multi-Family PSA agreement stating that the Green Bank is paying for the headcount at a reduced rate as well as some minor travel expenses. He stated that after one-year, specific targets will be incorporated. He stated that the solar fund PSA is similar. It allows IPC to consult with the Green Bank. He stated that they would launch a new fund to attract additional monies into that area. He stated that there is a license agreement so the nonprofit could utilize our IP for servicing our arrangements and as they expand geographically with Smart-E or Multifamily for example.

Brian Farnen discussed the Capital Grant Agreements. He stated that there is an LMI Capital Grant of $5 million from DEEP as well as a Health and Safety Grant for $1.5 million. He stated that the Health and Safety Grant has to be used for financing and investments into Health and Safety in Connecticut. He stated that IPC would have the business plan approved by DEEP for the use of the funds.

Eric Shrago discussed the MOU, stating that it is a term of 6 years for the Shared Services Agreement. He discussed the Advisory Opinion and the Common Principles, as well as the effective date and the term. He stated that the Green Bank would be providing a line of credit in an amount not to exceed $150,000 for startup funding. He discussed the services to be provided by the Green Bank stating that they will charge for the services after the first year. Bettina Bronisz questioned if the $150,000 was enough funds. Brian Farnen stated that yes, as they will continue to source Grants and foundational dollars. He stated that the Green Bank has Rights of First Refusal to protect the sustainability of the Green Bank as well as a non-compete arrangement. He stated that there would be an annual review of financials to determine the program savings. Bryan Garcia stated that they are not requesting a vote today. He stated that there are still questions to be answered and that they will come back to the Board with further details. He requested that the directors send along any final questions that they would like answered, about both the Green Bank and IPC.

5. <u>Committee Recommendations and Updates</u>

a. Deployment Committee and Audit, Compliance, and Governance Committee

i. Loan Loss Decision Framework and Process

Bryan Garcia discussed the Loan Loss Decision Framework, providing an update. He stated that the Green Bank had had very few defaults from the portfolio. He stated that the senior staff had put together a framework for review by the Deployment and the ACG committees. The bylaws gives the Deployment Committee oversight of assets. He stated that the staff would have discretion over approving any restructuring and write-offs for anything under $100,000 and no more in aggregate than $500,000 between reporting periods. The Deployment Committee and the ACG Committee have the discretion of $100,000 to $1 million, for restructured and written-off transactions respectively, and anything over $1 million automatically goes to the Board. He stated that there would be monthly reports and a quarterly memo format. Commissioner Smith requested that they come to the Board with updates on how this is working.

Upon a motion made by Commissioner Klee and seconded by John Harrity, the Board voted unanimously to approve.

<u>Resolution #3</u>

WHEREAS, pursuant to Section 5.3.1 of the Connecticut Green Bank (Green Bank) Bylaws, the Audit, Compliance & Governance (ACG) Committee is charged with the review and approval of, and in its discretion recommendations to the Board regarding, all governance and administrative matters affecting the Green Bank, including but not limited to matters of corporate governance and corporate governance policies;

WHEREAS, on January 18, 2013, the Board of Directors authorized Green Bank staff to evaluate and approve funding requests less than $300,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Green Bank Comprehensive Plan, approved within Green Bank's fiscal budget and in an aggregate amount not to exceed $500,000 from the date of the last Deployment Committee meeting ("Staff Approval Policy for Projects Under $300,000");

WHEREAS, on July 18, 2014, the Green Bank Board of Directors approved of a recommendation brought forth by the Audit, Compliance, and Governance Committee and Deployment Committee to approve the authorization of Green

Bank staff to evaluate and approve program funding requests less than $300,000 which are pursuant to an established formal approval process requiring the signature of a Green Bank officer, consistent with the Green Bank Comprehensive Plan, approved within Green Bank's fiscal budget and in an aggregate amount not to exceed $1,000,000 from the date of the last Deployment Committee meeting;

WHEREAS, on October 20, 2017, the Green Bank Board of Directors approved of a recommendation brought forth by the ACG Committee and Deployment Committee to approve the authorization to amend the Staff Approval Policy to increase program funding requests for Projects Under $300,000 to $500,000 with an aggregate amount limit of $1,000,000 from the date of the last Deployment Committee meeting; and

WHEREAS, the Staff of the Green Bank propose in a memorandum to the Deployment Committee on May 29, 2018, and revised based on feedback by the Deployment Committee for review and recommendation for approval by the ACG Committee on June 8, 2018 a Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank's balance sheet.

NOW, therefore be it:

RESOLVED, that the Deployment Committee and the ACG Committee recommend that the Board approve of the Staff proposed Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank's balance sheet and consistent with the memorandum dated June 13, 2018 which incorporates feedback from the Deployment Committee and the ACG Committee; and

RESOLVED, that the Board of Directors authorizes Green Bank staff to evaluate and approve loan loss restructurings or write-offs for transactions less than $100,000 of the principal amount outstanding and no more in aggregate than $500,000 from the date of the last Deployment Committee meeting ("Staff Loan Loss Approval Policy for Transactions Under $100,000") and consistent with the memorandum dated June 13, 2018 which incorporates feedback from the Deployment Committee and the ACG Committee.

6. <u>Investment Business – Clean Energy Finance</u>

a) PosiGen Investment

Ben Healey discussed the PosiGen Investment. He stated that the program is doing well and is on target. He stated that PosiGen had repaid in full the bridge loan that the Board approved in December. He stated that they would now like to provide PosiGen with the remaining $3.5 million of the original $5 million that was previously approved. He stated that the Board is aware of the underwriting constraints that were put into place for the bridge loan, but that they would like to remove the constraints now that the bridge loan has been fully paid. Commissioner Smith questioned what the constraint was. Ben Healey stated that they had put a debt service coverage ratio constraint in place. Bettina Bronisz questioned if PosiGen was in Connecticut. Ben Healey stated yes.

Upon a motion made by Commissioner Klee and seconded by Bettina Bronisz, the Resolution passed unanimously.

<u>Resolution #4</u>

WHEREAS, the Connecticut Green Bank ("Green Bank") has a mandate to deploy its resources to benefit all ratepayers, including low and moderate income ("LMI") residential households;

WHEREAS, LMI households bear a disproportionate burden of the state's high energy costs as a percentage of their income, generally do not benefit from existing federal incentives for clean energy adoption given that such incentives require sufficient tax liabilities to be of value, and traditional financing for residential solar PV and energy efficiency upgrades rely on credit tests that screen out many LMI households and exclude them from third-party ownership models for residential solar PV;

WHEREAS, the Green Bank has an existing and successful partnership with PosiGen, Inc. (together with its affiliates and subsidiaries, "PosiGen") to support PosiGen in delivering a solar lease and energy efficiency financing offering to LMI households in Connecticut;

WHEREAS, the Green Bank has provided an initial debt capital commitment of $5,000,000 (the "Term Loan A Facility") to PosiGen that is currently in repayment with no outstanding payments or amounts due at this time;

WHEREAS, the Green Bank had advanced a subsequent debt capital facility of $3,500,000 as a bridge loan towards subsequent tax equity financing (the "Term Loan B Facility") to PosiGen that is now repaid in full;

WHEREAS, PosiGen has successfully deployed 1,623 residential solar PV systems in Connecticut since the formation of its existing and successful partnership with Green Bank;
NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank, is authorized to execute and deliver the Term Loan A Facility with terms and conditions consistent with the memorandum submitted to the Board dated June 13, 2018, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of authorization by the Board; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to effect the above-mentioned legal instruments.

b) C-PACE Transaction – Proposed Restructuring

In the interest of time, Bryan Garcia stated that they would defer the proposed C-PACE restructuring and come back at the end of June with it.

Resolution #5

WHEREAS, pursuant to Section 16a-40g of the Connecticut General Statutes (as amended, the "Act"), the Connecticut Green Bank ("Green Bank") established a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy ("C-PACE");

WHEREAS, pursuant to Conn. General Statute 16a-40g, Green Bank entered into that certain Financing Agreement dated September 30, 2014 (as amended, the "Loan") with the Regional YMCA of Western Connecticut and Eastern Putnam County, Inc., the building owner of the Brookfield YMCA at 2 Huckleberry Hill Road, Brookfield, CT 06804, to finance the construction of certain clean energy measures through C-PACE;

WHEREAS, the Green Bank Deployment Committee ("Deployment Committee") and the Audit, Compliance and Governance Committee ("ACG Committee") recommended approval of the Proposed Loan Loss Decision Framework and Process, set forth in that certain memo to the Board of Directors dated June 8, 2018 (the "Loss Process") for their consideration and subsequent approval; and

WHEREAS, in accordance with Loss Process, Green Bank staff seeks the Board of Director approval to restructure the Loan by (i) reducing the principal of the Loan to $769,428.00, (ii) reducing the term interest rate of the Loan to 3.23% per annum, and (iii) extending the term of the Loan to 18 years (collectively, the "Restructured Loan"), as more particularly described in the memorandum submitted to the Board of Directors dated May 25, 2018.

NOW, therefore be it:

RESOLVED, that the President of the Green Bank and any other duly authorized officer of the Green Bank is authorized to execute and deliver the Restructured Loan with terms and conditions consistent with the memorandum submitted to the

Deployment Committee dated May 25, 2018 and subsequently the Board of Directors on June 6, 2018, and as he or she shall deem to be in the interests of the Green Bank and the ratepayers no later than 120 days from the date of the Board approval of the Loss Process; and

RESOLVED, that the proper Green Bank officers are authorized and empowered to do all other acts and execute and deliver all other documents and instruments as they shall deem necessary and desirable to affect the above-mentioned legal instruments.

7. <u>Other Business</u>

There was no other business.

8. <u>Adjourn</u>

Upon a motion made by Commissioner Klee and seconded by Bettina Bronisz, the meeting was adjourned at 5:01 p.m.

Respectfully Submitted,

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Catherine Smith, Chairperson