

# CONNECTICUT GREEN BANK

Board of Directors

Regular Minutes

Thursday, June 28, 2018

A regular meeting of the Board of Directors of the Connecticut Green Bank (the “Green Bank”) was held on June 28, 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 9:39 a.m. Board members participating: Matt Ranelli, Gina McCarthy (by phone), Rob Klee, Bettina Bronisz (by phone), John Harrity, Betsy Crum (by phone), and Eric Brown (by phone)

Members Absent: Kevin Walsh, and Tom Flynn

Others Attending: Guy West and Scott Murphy

Staff Attending: Bryan Garcia, Brian Farnen, Eric Shrago, Bert Hunter, Cheryl Samuels, Matt Macunas, Mackey Dykes, Kerry O’Neill, George Bellas, Jane Murphy, Nick Zuba (by phone), Dale Hedman, and Ben Healey

## 2. Public Comments

Bert Hunter presented George Bellas with a plaque from the Montgomery County Green Bank for helping them with their Accounting.

## 3. Consent Agenda

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

### Resolution #1

Motion to approve the meeting minutes of the Board of Directors for June 13, 2018.

## 4. Incentive Business

### a. SHREC Warehouse

Bert Hunter discussed the type and structure of the warehouse funding facility for the SHREC securitization program. He stated that it is a \$16 million non-restoring facility, meaning that once the funds are borrowed under the facility, and subsequently repaid, the funds cannot be “re-borrowed” as with a revolving credit

facility. He stated that when the securitization proceeds comes in, the Green Bank will repay the borrowings under the warehouse funding facility. At that point, he continued, the facility would end – but with agreement of the lenders (Webster Bank and Liberty Bank) the facility could be extended by way of an amendment. He stated that when the third tranche is set next year, the Green Bank and the lenders will likely amend the facility. He stated that the first tranche is ready and the second should be set in July – permitting access to the full \$16 million available under the facility.

Mr. Hunter explained that there are two matters that need adjustment to the resolutions that the Board previously approved in April to approve the warehouse funding facility. First – the facility is “non-restoring” and not a “revolving credit facility” as approved by the Board in April. Second, due to a drafting issue in the Master Purchase Agreements (MPAs) between the Green Bank and each utility (Eversource and UI), the borrowing for the time being would need to be by the Green Bank, rather than by an SPV 100% owned and guaranteed by the Green Bank as was approved. He stated that once the MPAs are amended, Green Bank will be able to move those tranches into an SPV providing security to the lenders, which was the mechanism agreed by Green Bank and the utilities originally. Unfortunately, he mentioned, the drafting of the MPAs did not capture this process as tightly as required – so an amendment to the MPAs is needed. He stated that they have confirmed that the utilities have approved the MPA amendment and it is ready to go to PURA for approval.

Catherine Smith questioned if the warehouse has closed. Bert Hunter stated that it would close tomorrow (June 29). Catherine Smith questioned if the security is going to be the Balance Sheet of the Green Bank. Bert Hunter stated, yes – plus the benefit of the cash flows from Tranche 1 and Tranche 2 of the SHREC program. Rob Klee questioned the timeline for PURA. Brian Farnen stated that the utilities have signed off and that staff will do the PURA filing next week. He stated that it should be relatively straightforward since the utilities are on board with the amendment. As for the resolution, Brian stated that there is no change to the concept, it’s just a general cleanup resolution and clarification that the Webster-Liberty financing is not a revolving loan.

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

## **Resolution #2**

**WHEREAS**, Connecticut Green Bank (“Green Bank”) staff has submitted to the Green Bank Board of Directors (“Board”) a draft Credit Agreement for Green Bank whereby Webster Bank and Liberty Bank (“Webster-Liberty”) will make available to Green Bank a \$16,000,000 secured non-revolving line of credit (“SHREC Credit Facility”) whereby the SHREC Credit Facility would be used for a period of up to one year in order to bridge Green Bank’s short-term liquidity and working capital needs prior to funding anticipated

from a long-term asset backed securitization (“ABS”) financing of the Solar Home Renewable Energy Credit (“SHREC”) program;

**WHEREAS**, along with a general repayment obligation by the Green Bank, Webster-Liberty will be secured by a first priority security interest in and collateral assignment of those Master Purchase Agreements by and between Green Bank and each of The Connecticut Light & Power Company d/b/a Eversource Energy and The United Illuminating Company each dated February 7, 2017 which collateral assignment shall include those cash flows associated with the SHREC program (the “SHREC Collateral”); and

**WHEREAS**, Green Bank staff recommends that the Board approve the proposed SHREC Credit Facility, in accordance with the terms of the Credit Agreement draft.

**NOW**, therefore be it:

**RESOLVED**, that the Board hereby authorizes and directs Green Bank to enter into the SHREC Credit Facility with each of Liberty Bank and Webster Bank substantially as set forth in the draft Credit Agreement and further authorizes and directs Green Bank to pledge the SHREC Collateral and any other assets associated with the SHREC Collateral to Webster-Liberty;

**RESOLVED**, that the Board hereby authorizes Green Bank in the discretion of the President of Green Bank to establish a bankruptcy remote special purpose entity 100% owned by Green Bank (“SPV”), if the President deems it appropriate or necessary or if required by the lenders to secure their interest in the SHREC Collateral;

**RESOLVED**, that the President, Chief Investment Officer and General Counsel of Green Bank and any other duly authorized officer of Green Bank, are each hereby authorized and directed to negotiate, finalize, execute and deliver, on behalf of Green Bank, any of the definitive agreements related to the SHREC Credit Facility that they deem necessary and appropriate to carry out the foregoing objectives of Green Bank, and to establish the SPV and any other agreements, contracts, legal instruments or documents as he shall deem necessary or appropriate and in the interests of Green Bank and the ratepayers in order to carry out the intent and accomplish the purpose of the foregoing resolutions; and

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

## **5. Investment Business – Clean Energy Finance**

### **a. CSCU – SCRF Self Sufficiency**

Bryan Garcia stated that they are working on finalizing and will bring this back to the Board.

**b. C-PACE Transaction – Proposed Restructuring**

Bryan Garcia stated that they would go into Executive Session for strategies and negotiations about pending claims or pending litigation involving the Green Bank.

**Upon a motion made by Rob Klee and seconded by John Harrity, the Board went into Executive Session at 9:49 a.m.**

The meeting resumed at 10:42 a.m.

**6. Committee Recommendations and Updates**

**a. Budget & Operations Committee**

**i. Approval of FY 2019 Budget and Targets**

Catherine Smith expressed her appreciation to the group regarding the budget process.

Bryan Garcia discussed the budget process and thanked the team for their work on the budget. He stated that, as a result of the sweeps and the subsequent Sustainability Plan, that they had expanded the process by adding additional meetings of the B & O Committee. He discussed the FY 2019 targets and the budget. He stated that they hope to move forward with Resolution 5, but not moving to approve the agreements between the Green Bank and the non-profit. He stated that they are still in the process of responding to questions raised by the Board.

Eric Shrago discussed the proposed goals and targets. He stated that they are aiming to continue to do everything that they have been and continue to grow, all while staying within the sustainability plan. He discussed the RSIP stating that they expect to see a bit of growth. He stated that they are expecting to see about 40 loans per month in Smart-E. He stated that they expect flat performance with PosiGen. He stated that Multifamily as well should be flat performance. He stated that C & I and CPACE continue to perform. He stated that overall, they expect to see approximately 6500 projects with \$225 million invested. He stated that they are still attracting third-party money into the space.

Eric Shrago discussed the revenues stated that overall, they are expecting \$22 million, which is down from the original forecast given the \$14 million of Clean Energy Funds and \$2.3 million of RGGI funds. He stated that the primary reason is the sweeps to the State of Connecticut. Bryan Garcia discussed the revenue projections on the REC side. He stated that they wanted to bring transparency to

the Board for those revenues. He stated that they wanted the Board to see how they're estimating these revenues given their complexity. He discussed the new P4 Schedule, highlighting what is estimated at the P90 level for REC generation. He stated that they don't know the non-SHREC REC prices in the market. He stated that REC prices in the Class 1 RPS have dropped. Catherine Smith questioned what the assumption on the pricing was. Bryan Garcia stated that they assume \$18.25/REC for approximately 40,000 of the 50,000 owned. He stated that the remaining recs not under contract they assume about \$10/REC. He stated that they need to go to market to secure a price. Rob Smith questioned if the \$18.25 was already locked in. Bryan Garcia stated, yes. Rob Klee questioned if they are looking to lock in the prices for remaining RECs. Bryan Garcia stated yes so that they can have a future REC price that they are comfortable with and so that they will not have to worry about fluctuations. He stated that the market is saying that there is an oversupply of RECs that is why they are low, in comparison to the ceiling price or alternative compliance price of \$55. Eric Shrago stated that the price would increase, but not necessarily in the short-term as a result of the recent increases to the Class 1 RPS to 40% by 2030.

Matt Ranelli questioned if the Green Bank harvests Class 3 RECs from any projects. Bryan Garcia stated that CPACE usually involves incentives from the utility partners, which means the Class 3 REC is gone. He stated that they are now working with ISO New England to be able to trade FCM's into that market for residential and commercial solar PV projects.

Bryan Garcia discussed the expenses, stating that there is a 26% reduction from 2018 to 2019 – just slightly off the target of 27% given the additional costs for the SHREC securitization. He stated that they had dramatic reductions across the board from program development and administration to marketing, EM&V, and R&D. He stated that it has been difficult to get to where they are today. He stated that on the investment and incentive sides of the business, they'd made most of the reductions on the investment side.

Bryan Garcia stated that they are closely monitoring their cash flow on a monthly basis to see how they are progressing towards the sustainability plan. He stated that they've just made their payment of \$14 million to the State of Connecticut. He stated that they will work on a similar transaction with the new administration to transfer funds to the State at the end of the fiscal year 2019, which will assist in their cash flow management.

Bettina Bronisz questioned why there was such a drop in the Marketing expense. Eric Shrago stated that it's due to the programs that are moving over to the non-profit. Rob Klee questioned what the Green Bank is continuing to do regarding marketing. Eric Shrago stated that they are continuing CPACE, Multifamily, and some Smart-E.

Eric Shrago discussed the investments stating that CPACE investing is a bit larger than in the past. Catherine Smith questioned how many transactions. Eric Shrago stated, 57, including other monies. He stated those that are the Green Bank's; there are 15 that are CPACE and nine that are CPACE backed PPA's, which is representative of what is in the pipeline.

Bettina Bronisz questioned the Kresge loans and the percentage to the Green Bank. Bryan Garcia stated that it is footnoted that it is 1% net to the Green Bank.

Eric Shrago discussed the repurchase of the Hannon Portfolio. He stated that they have the opportunity to purchase that portfolio back and add that interest to the Green Bank's P&L and the assets to the balance sheet. He stated that this would assist in the advancing of the Sustainability Plan. He stated that they have zero acquisition costs to bring that back to the Green Bank's books. Bryan Garcia stated that they need to build the balance sheet and that they've decided to purchase those assets back at par. Rob Klee stated that this is only possible due to the SHREC Securitization. Matt Ranelli questioned why they would not dial back the SHREC Securitization rather than buy back the portfolio. Rob Klee stated that it's because the revenues trickle in from the Securitization.

Eric Shrago highlighted Triangle Fuel Cell, which they are expecting to close next fiscal year. Bert Hunter described the PosiGen investment and stated that they are calling this a third variation of how the Green Bank can participate in transactions through the non-profit (the first 2 examples were discussed at the Board meeting on May 25). He stated that in this variation (V3) Green Bank is directly lending to the borrower. He stated that the non-profit would take on the management oversight role. He stated that the revenue is not coming from the non-profit, but as shown in the diagram it will be coming externally and directly from the borrower. Eric Shrago stated that under the solar fund investment with the non-profit, the Green Bank has a participation agreement with the non-profit and that income flows from the non-profit back to the Green Bank. Catherine Smith questioned the fact that there is no income from these in the first year. Ben Healey stated that the expectation is that while the contracts would be approved within the next fiscal year, the projects themselves will get built after the end of the fiscal year (FY 19), but the income will not come in until the next fiscal year (FY 20).

Bryan Garcia discussed the summary of the FY 19 cash flow and the FY 19 through FY 29 cash flow with respect to the Sustainability Plan. He stated that in December they had a 4 – 7-year break-even point on the investment side. He stated that the focus has been on their core business of financing. He stated that they can increase their balance sheet by purchasing the portfolio from Hannon Armstrong, which reduces the breakeven point and costs to 4 to 5 years.

Eric Shrago discussed the core partners part of the budget. He stated that they want to continue to contract with their partners. Catherine Smith questioned what

the strategy is on how they go out to RFP. Brian Farnen stated that it's usually every three years. He stated that they are talking about extending it out longer for certain contracts assuming that it was done through an RFP with proper approvals, with an additional restriction that a longer period, say up to 4 or 5 years but that would be contingent on the PSA amount not increasing on an annual basis by more than 4% for example. Mackey Dykes discussed the RFP for Sustainable Real Estate Solutions. He stated that it has been quite some time since they've gone out to RFP for that, but that in the past they had only received one or two responses. He stated that they would like to extend the contract with them for one more year. Catherine Smith mentioned that the extension terms are not identical. Bryan Garcia stated, they are up to one year.

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

**Resolution #5**

**WHEREAS**, as a result of the \$32.6 million of sweeps of the Clean Energy Fund and Regional Greenhouse Gas Initiative allowance proceeds to the General Fund, the Board of Directors of the Connecticut Green Bank approved Sustainability Plan on December 15, 2017 directing staff to cut personnel, and non-personnel operating expenses, proactively manage cash balances, cancel and transfer commitments, and facilitate the creation of a nonprofit to further reduce the costs of managing existing Green Bank programs;

**WHEREAS**, the Fiscal Year 2019 Targets and Budget are in line with the previously approved Sustainability Plan; and

**WHEREAS**, the members of the Connecticut Green Bank Budget and Operations Committee independently recommended that the Green Bank Board of Directors approve the Fiscal Year 2019 Targets and Budget; and

**WHEREAS**, the members of the Budget and Operations Committee recommends that the Board of Directors authorizes Green Bank staff to extend the professional services agreements (PSAs) currently in place with the following, contingent upon a competitive bid process having occurred in the last three years (except MREN, Inc. (formerly Metis, Financial Network, Inc.) which will be in its fourth and final year of engagement with the Green Bank):

- I. Adnet Technologies, LLC
- II. Clean Power Research, LLC
- III. Cortland Capital Market Services LLC
- IV. Locus Energy LLC
- V. MREN, Inc., (formerly METIS, Financial Network, Inc.)
- VI. New Ecology, Inc.
- VII. Strategic Environmental Associates, Inc.

- VIII. Sustainable Real Estate Solutions, Inc.
- IX. Wegowise, Inc.

For fiscal year 2019 with the amounts of each PSA not to exceed the applicable approved budget line item.

**NOW**, therefore be it:

**RESOLVED**, that the Connecticut Green Bank Board of Directors hereby approves: (1) the FY 2019 Targets and Budget with the understanding that there shall be no (i) expenditures related to professional service agreements and the memorandum of understanding for Inclusive Prosperity Capital Inc. or (ii) transitioning of Green Bank staff until the Board of Directors authorize such expenditures and actions at a future date, and (2) the nine PSAs listed above, as both items were recommended by the members Connecticut Green Bank Budget and Operations Committee.

## **7. Other Business**

Bryan Garcia discussed the Q & A Memo, stating that there are a few questions left. He stated that they are developing a Proforma Statement for the Green Bank, which will go to Lamont Financial. He stated that they would assess whether or not it is reasonable. They will then send it to the Treasurer's Office. Catherine Smith questioned the timing on this. Bryan Garcia stated that the week of July 16th should complete it.

Brian Farnen introduced Scott Murphy, who explained the background and powers of the Green Bank statutorily to enable and invest in an unaffiliated nonprofit entity. Catherine Smith expressed her opinion that she felt the answer to the authority questions was sufficient and comprehensive.

## **8. Adjourn**

**Upon a motion made by Rob Klee and seconded by John Harrity, the Board adjourned the meeting at 11:35 a.m.**

Respectfully Submitted,

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Rob Klee, Vice Chairperson