DEPLOYMENT COMMITTEE
OF THE CONNECTICUT GREEN BANK
845 Brook Street
Rocky Hill, CT 06067

Wednesday, March 27, 2019
2:00 – 3:00 p.m.

The quarterly meeting of the Deployment Committee of the Connecticut Green Bank (the "Green Bank") was held on March 27, 2019, 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

Bryan Garcia called the meeting to order at 2:05pm

Committee members participating: Bettina Bronisz (by phone), Matt Ranelli (by phone), Mary Sotos (by phone)

Members absent: Betsy Crum

Others attending: N/A

Staff participating: Emily Basham, Mackey Dykes, Brian Farnen (by phone), Bryan Garcia, Isabelle Hazlewood, Bert Hunter (by phone), Alex Kovtunenko, Jane Murphy, Selya Price, Cheryl Samuels and Eric Shrago.

Note - Since Governor Lamont has taken office, there are new representatives assigned to the Deployment Committee of the CT Green Bank and a new Chairperson has yet to be voted on or assigned. As such, Mr. Garcia deferred to the Committee in asking if anyone was opposed to him acting as Chair for today's meeting—all gave their approval.

2. **Public Comments**

There were no public comments.

3. **Consent Agenda**

a. Approve Meeting Minutes for special meeting on January 29, 2019

Resolution #1

Motion to approve the meeting minutes of the Deployment Committee for January 29, 2019.

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli, the Committee unanimously voted to approve the Consent Agenda; Meeting Minutes from the January 29, 2019 meeting.

b. Approval of Funding Requests Below $500,000 and No More in Aggregate than $1,000,000 – Memo (March 27, 2019)

Mr. Garcia advised the Committee that 4 staff approved C-PACE transactions totaling $481,232 which will be cleared.

c. Approval of Loan Losses Below $100,000 and No More in Aggregate than $500,000 – Memo (March 27, 2019)

Mr. Garcia advised Committee that staff recommended, and Deployment Committee approved in November of 2018, 1 transaction for a loan restructure which forgave $19,066 in accrued construction interest. Updates will be noted in Ms. Murphy's monthly accounting reports.

4. **Investment Business**

a. Proposed Reallocation of Exposure to FuelCell Energy Credit Exposure

Mr. Hunter presented reallocation of credit exposure by detailing FCE's acquisition of the Bridgeport Fuel Cell Project from Dominion Energy. Liberty Bank and Fifth Third Bank (Ohio based) are the Senior co-lenders at $25Mil with the CT Green Bank ("Green Bank") providing a $6Mil subordinate loan—reallocated from existing loan BFCP. FCE is ready to go next week and the closing will be by Friday, April 12, 2019.

The existing loan transaction requires a Project Special Project Vehicle (SPV) to place a "performance assurance" with Eversource as required under the Energy Purchase Agreement (EPA). The current performance assurance is satisfied with a corporate guaranty from Dominion. However, FCE's SPV will need to source a letter of credit to satisfy this requirement; letter of credit will need to be cash collateralized for $1.8Mil. Similar to the existing loan to FCE, the proposal is to fund the cash collateral needed to backstop the letter of credit for Eversource by reallocating exposure from the

Triangle project. The Green Bank Board previously approved the Triangle Project in 2018 and the proposal is to reduce the exposure to the Triangle project from $5Mil to $3.2Mil (a reduction of $1.8Mil).

Ms. Bronisz asked about the change from Webster Bank N.A. ("Webster") to another lender (i.e., Fifth Third). Mr. Hunter responded that Webster's prior credit officer for that region had already approved the deal but—after a change of personnel—the new officer decided not to proceed with full approval. Since The Fifth Third Bank already had a construction loan approval for the New London Subbase transaction underway, they were able to quickly diligence the Bridgeport transaction and approved the deal. Ms. Bronisz stated that Webster is missing out on transaction and hopeful that they may be able to make offerings in the future. Ms. Bronisz also asked about whether an engineer was hired by Green Bank. Mr. Hunter stated that an engineering firm was hired by the other financiers and Green Bank benefitted from that review.

Mr. Hunter further related that the Green Bank has successfully repositioned FCE projects (Bridgeport and Groton) from higher cost private equity and specialty lender funding to mainstream local and regional bank lenders (Liberty Bank, Fifth Third Bank and Amalgamated Bank). Using Green Bank capital subordinated to senior lenders—$66Mil has been sourced using $11Mil of Green Bank capital (6:1). The Bridgeport project prepays in 6 years (to Sr lender) and 7 years (to Green Bank). The proposal is to lend at the parent level approximately $1.8Mil to cash collateralize the letter of credit for Eversource; security is FCE parent resources, additional security at the Project SPV level—subordinated to Sr lenders and cash flow sweep (after Green Bank subordinated loan). With anticipated cash flow and 50% sweep, Green Bank Performance Assurance Financing Facility is expected to repay 9 months before $6Mil subordinated loan (6¼ years). Both facilities will benefit from and be repaid with an additional $40Mil of free cash flow (the last 3-to-4 years of Eversource contract) after repayment of all debt for the acquisition.

Mr. Hunter reviewed the proforma cash flows and noted that the modules will have been refreshed after year five and cash flow will be available to pay down Jr debit balance in year six. Mr. Hunter completed the presentation with a review of the tables summarizing the current and future credit exposure for all three projects; Bridgeport, Groton and Triangle in accordance with reallocation proposal, a review of FCE credit exposure and the recommendation to Board Resolution.

Mr. Hunter related that this work is the successful achievement of diverse financing for projects.

Mr. Ranelli related that he will abstain from a vote on Resolution 2 as his firm is representing one of the lenders.

<u>Resolution #2</u>

WHEREAS, in early 2008, the Connecticut Clean Energy Fund ("CCEF") released a Request for Proposals in the third round of solicitations for renewable energy projects to participate in statutorily mandated Project 150, an initiative aimed at increasing clean energy supply in Connecticut by at least 150MW of installed capacity and the program is designed to encourage financing of renewable energy projects through the stability of long-term energy purchase agreements for grid-tied projects;

WHEREAS, FuelCell Energy, Inc. ("FCE") submitted proposal for the 14.9 MW fuel cell project located in Bridgeport, CT (the "Project") in response which, after thorough review, was ultimately selected and ranked by CCEF as the number one project out of the nine projects submitted in the third round;

WHEREAS, CCEF, by Board resolution dated October 27, 2008, approved grant funding for the Project in an amount of $1,550,000 subject to conditions set forth in the Project 150 Program;

WHEREAS, the Connecticut Green Bank ("Green Bank"), by Board resolution dated November 30, 2012, approved loan financing for the Project in an amount not to exceed $5.8 million for the purposes of funding Project development costs and an operational and performance reserve account;

WHEREAS, the Green Bank has maintained its commitment to the growth, development, and commercialization of renewable energy sources and related enterprises, and to stimulate demand for renewable energy and the deployment of renewable energy sources that serve end use customers in Connecticut, including projects that utilize fuel cell technology;

WHEREAS, the in December 2018, the Green Bank Board of Directors (the "Board") approved a repurposing of the original $5.8 million loan approved for the Project (the "Original Use Loan"), which has since increased in principal to $6,026,165 due to capitalized interest, as a subordinate loan secured by all Project assets and cashflows for the purpose of participation in a financing facility that facilities FCE's acquisition of the Project from its current owner (the "Refinanced Loan"); and

WHEREAS, staff requests that the Green Bank Deployment Committee (the "Deployment Committee") recommend to the Board the approval of a Performance Assurance Finance Facility (the "PAFF") in the amount not to exceed $1.8 million to FuelCell Energy, Inc. on a full recourse basis and secured by all Project assets and cashflows, subordinated to the Senior Lenders and pari passu with the Refinanced Loan for the purpose of participation in a financing facility that facilitates FCE's acquisition of the Project from its current owner.

NOW, therefore be it:

RESOLVED, that the Deployment Committee hereby recommends that the Board approve the PAFF substantively in the form described in the Project Qualification Memo submitted by the staff to the Deployment Committee and dated March 21, 2019 (the "Memorandum") as a Strategic Selection and Award pursuant to the Green Bank Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Bridgeport Fuel Cell Project.

Upon a motion made by Bettina Bronisz and seconded by Mary Sotos, (with one abstention; Matt Ranelli), the Committee voted to approve Resolution 2.

Per Mr. Garcia, this Resolution will be presented to the Board at Friday's Special Board meeting.

b. Small Business Energy Advantage

Anthony Clark provided an update on the SBEA status. There are currently $4Mil in Green Bank loans purchased by Amalgamated Bank. Repayments to Amalgamated are scheduled but the sum of repayments to Green Bank over the same period was ~44% below the scheduled amount.

Mr. Clark went on to say that Green Bank staff Catherine Duncan and Joe Landry are reviewing what is owed from Eversource in terms of data in an effort to remedy requests for underpayment. Staff is also working to ascertain loans in default due to non-payment by customers. The team is negotiating an amendment to the Master Purchase and Servicing Agreement; to increase the governmental customer borrowing limits for such entities from $500k to $1MM total outstanding balance. There were changes to loan agreement made as far back as December 2018 which denote up to 90 days before loans considered defaulted. The team is to review the agreement and formalize definitions of "default." The team is also working on formalizing Green Bank's role in providing a timeliness reserve to buffer Amalgamated Bank against short-term shortfalls and prevent potential defaults. Amalgamated Bank and Green Bank are scheduled to make another loan purchase but staff is working on cleaning up documentation before the purchase of additional loans. Team is aiming for the next SBEA loan portfolio purchase in April 2019.

For the timeliness reserve concept, staff is proposing a 6-month 'look-back' period regarding the Energy Efficiency Fund with Eversource. Green Bank is not asking for incremental exposure as about 96% of expected receipts have been collected, so about 4% behind but normally only 1% behind. Green Bank is working with Eversource regarding these transactions where the underlying business accounts are not performing (making payments.)

Mr. Mackey Dykes added that regarding the processes; Green Bank staff is working on the loan schedule documents regarding Amalgamated Bank and Eversource.

At this time Mr. Ranelli excused himself as he had to leave for another meeting. Mr. Garcia stated he knows Mr. Ranelli wanted to have more information on the RSIP update/progress which will be covered in today's meeting. Mr. Garcia stated he would schedule an update with Mr. Ranelli.

5. Incentive Business

a. SHREC Securitization – Update

Ms. Louise Venables presented the SHREC Bond structure (for cash flow requirements) which is a bond in two 'classes'; Class A, Senior Notes valued at $36.8

million and Class B, Subordinate Notes valued at $1.8 million. The Kroll rating is A- on the Class A and BBB- on the Class B. These ratings provide a fully investment grade transaction. The pricing of 5.15% on Class A and 7.15% on Class B was agreed upon on March 26, 2019 with an interested investor—which has placed its order for the full $38.6 million Notes. The transaction is scheduled to close on Tuesday, April 2, 2019 and receipt of the funds by the Green Bank shortly thereafter.

Ms. Bronisz asked what was paid out to an Underwriter and other costs. Although Ms. Venables did not have detailed expenses immediately available, the net amount is $2.5 million ($2.61 million). The total bond proceeds would have been $1.6 million more if the Class B Notes were structured differently, with a non-investment grade rating, but the structuring was changed to accommodate investor preferences and to ensure a lower pricing on the Class B Notes.

It was noted that the California utility PG&E went bankrupt in January 2019 which did not help in the determination of the risk assessment. In the future, there may be more market interest and there may be options to make a smaller bond issuance to generate more interest. Mr. Garcia mentioned discussing this subject with Bob Lamb regarding Serial Bonds to open up possibilities to more investors.

Ms. Bronisz mentioned that the team now “got your feet wet” in bonds and Mr. Garcia shared that this will be presented during a special meeting of the Board on Friday, March 29, 2019.

b. RSIP Policy – Overview and Discussion

Mr. Garcia presented a high level overview of RSIP regarding the Policy target and objectives, timeline, declining incentives (for which DEEP plays an approval role) and the local industries which will foster and sustain the future of these endeavors. Mr. Garcia also mentioned the discussions going on at the Connecticut Legislature regarding these issues.

Ms. Selya Price presented a chart of historical residential solar PV installed cost and incentive data for Connecticut which shows that incentives were reduced steeply, by 93% from 2004 through 2018, while deployment increased dramatically by 470,000%. She also presented charts showing RSIP deployment since the program launched in March 2012, with RSIP status as of 3/24/19 being 253 MW of approved projects, and estimated reaching 60-62 MW by end of FY19 and reaching 300 MW of approved projects approximately by September or October 2019. The Green Bank and the industry have been working towards a sustained marketplace without RSIP incentives.

Ms. Isabelle Hazlewood presented that low-to-moderate income household solar adoption is higher since launched its Solar for All program with PosiGen.

Mr. Garcia added that PA 18-50 specifies that the end of RSIP incentives would end net metering and that a tariff based compensation structure would replace it. Bill 7251 would change the end of RSIP and net metering and is being discussed at the CT Capitol today. With a review of the 'Consumption and Production by Hour' chart, the blue bars denote how much solar is being produced and consumed and the green bars denotes how much solar is produced, not used and goes back to the grid. That unused energy is then available to other energy users at peak times.

The proposed revisions to PA 18-50 are that net metering will end on December 31, 2021 and that the RSIP policy target be increased from 300 MW to 350 MW. The Green Bank proposed RSIP extension options in the case that RSIP is extended (e.g., to 350 MW), including: (1) the status quo, (2) decreasing RSIP PV incentives for all projects, (3) offering only LMI PBI incentives, (4) decreasing PV incentives and adding an incentive for battery storage, or (5) providing RSIP incentives only for LMI households or battery storage. The Green Bank will revisit the incentive level for all RSIP projects; and for LMI projects, the Green Bank could consider creating an LMI-EPBB option.

Regarding the EEP Program, PURA has approved the Green Bank as a "General Partner" but is still reviewing Green Bank's request for an incentive for battery storage primarily for retrofitting existing solar PV systems. Green Bank is in the process of responding to questions about the EEP Technology Application and is hoping for alaunch date of July 1, 2019 if the application is approved.

Mr. Garcia related that the legislature and PURA are reviewing incentives and realize that they may need more time for the consideration of the transition from net metering to a tariff based structure as there is a lot to evaluate.

Mr. Garcia voiced a request to make an appointment with Ms. Mary Sotos and Mr. Ranelli to review and discuss these options. Ms. Sotos stated it would be helpful to know what formula the Green Bank has used to figure out the level of incentives and to build into that analysis the current electric market prices for them to review when they meet. Mr. Garcia will be in touch to arrange that meeting.

6. Other Business

There was no other business.

7. Adjourn

Upon a motion made by Bettina Bronisz and seconded by Mary Sotos the Committee unanimously agreed to adjourn meeting at 3:10 p.m.

Respectfully submitted,

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Bryan Garcia, Acting Chair