



**DEPLOYMENT COMMITTEE
OF THE CONNECTICUT GREEN BANK**

845 Brook Street
Rocky Hill, CT 06067

Friday, July 12, 2019
9:00 – 10:00 a.m.

The quarterly meeting of the Deployment Committee of the Connecticut Green Bank (the “Green Bank”) was held on July 12, 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

Commissioner Mary Sotos, as Chair of the Deployment Committee, called the meeting to order at 9:01am

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

Members absent:

Others attending: Inclusive Prosperity Capital: Kerry O’Neill (CEO), Madeline Priest, and Joe Buonannata Kerry O’Neill (by phone)

Staff participating: Brian Farnen, Bryan Garcia, Bert Hunter, Alex Kovtunenکو, Selya Price, , Cheryl Samuels, Louise Venables

2. Public Comments

There were no public comments.

3. Consent Agenda

- a. Approve Meeting Minutes for Meeting Minutes for May 29, 2019

Resolution #1

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

- b. Loan Losses Below \$100,000 and No More in Aggregate than \$500,000

Mr. Garcia reported there were no staff approved loan losses for Q4 of FY 2019.

4. Incentive Programs

- a. RSIP

Ms. Price reviewed a chart of RSIP progress by fiscal year and stated the current MW at 273 out of 350. The Green Bank's goal is to ensure the sustained orderly development of the local solar industry. Mr. Ranelli asked if average project size is increasing—more projects, more Kw's? Ms. Price stated that projects have been gradually increasing in size, with the homeowner owned projects having the largest average system sizes.

If Step 15 were to begin September 1, 2019, there would be an estimated year left in the program before reaching the 350 MW milestone. The RSIP proposal for Step 15 is to 1) ensure the sustained orderly development of the local solar PV industry by helping to reduce market reliance on RSIP by decreasing incentives, supporting 'soft costs' reduction strategies and consumer protection strategies so market will have one year before tariffs are implemented, 2) Fostering the sustained, orderly development of a state-based solar industry by encouraging the deployment of battery storage; by introducing and implementing battery storage to the grid in the final year of RSIP so that additional benefits to customers and all ratepayers will be realized by helping with peak energy demands and finally 3) Working to transition to net metering as RSIP ends.

Ms. Price continued by showing a graphic from Eversource of their Enbala system architecture that would serve as a platform for control and dispatch of various devices to help meet demand response needs, including residential technologies such as thermostats, water heaters, and eventually battery storage. Customers can be incentivized to allow for access to their devices to meet demand response needs in exchanges for performance-based incentives. Mr. Garcia stated that conversations

with utility and energy companies and homeowners regarding battery storage will be essential to this transition with 50% of solar energy being transferred to the grid on average during the course of a day; working to obtain battery storage for homeowners will be that much more efficient and cost saving and utility companies are a big factor in implementing this initiative.

Ms. Price presented the proposed incentive options; Version 1 has no battery storage and Version 2 includes battery storage and is recommended by CGB staff. Version 2 will lower current incentives more than Version 1 which would allow for funds to provide (up front) incentives for battery storage. Discussion continued regarding the amount of the up-front incentive which is detailed in the memo released to committee members. With a potential \$11K or higher installation cost, Green Bank staff feels that an incentive of on average \$4K will bring interest to battery storage, an incentive in line with or lower than what is being offered in other states. The maximum incentive would be \$7K for those who purchased multiple or larger batteries. The team further proposes putting a cap on expenditures, to support up to 4 MW of storage. The total cost of providing this incentive would be up to \$4 million depending on amount of uptake, which would be derived from the reduction in incentive levels from Step 14 that is currently in place. Ms. Price answered a question regarding Version 2 regarding additional incentives on top of solar—the proposed Step 15 incentive would not provide an incentive to add battery storage to *existing* solar projects. The battery storage incentive would only apply for new solar PV plus battery storage projects, where the battery storage would be considered part of the balance of plant of the solar PV system. Mr. Ranelli voiced concerns about over-incentivizing oversized systems and suggested limiting the incentive to up to 8 kW where capacity over 8 kW would have a different or lower incentive. The other suggestion would be to lower the LMI PBI by 15% instead of 20%. Ms. Price addressed Mr. Ranelli's question regarding over-incentivizing by noting that the higher incentive tier for the EPBB is limited by estimated customer usage. Mr. Garcia added that it would likely be easier to change the EPBB incentive for the first 10 kW (rather than 8 kW) since that sizing structure has been in place since inception of the program and that our team can review the incentive to determine a workable solution to address his concerns and suggestions. Ms. Price shared that we should also take into consideration the goals of deploying more renewable heating and cooling technology, as well as EVs, when considering system sizing and balancing that with oversizing considerations. Mr. Garcia explained that we should also consider reducing incentives for LMI PBI over the next year to enable the LMI market to transition to a post-RSIP market with only net metering. Ms. Sotos is okay with Version 2 but would like more time to review the battery storage incentive. Mr. Garcia deferred to Mr. Farnen to ensure inclusion of other organizations to future (edits) of the Resolution for this concern. Mr. Garcia may defer to the Working Group of the Joint Committee to review the battery storage incentive and address questions/issues. Rather than holding up vote on entire Resolution, Mr. Ranelli recommends a 15% rather than a 20% reduction on LMI PBI. Ms. Bronisz and Ms.

Sotos are both in agreement and suggest staff find the remaining 5% elsewhere (e.g., reduce the second tier of the EPBB incentive for capacity over 10 kW).

Resolution #2

WHEREAS, Public Act 19-35, “An Act Concerning a Green Economy and Environmental Protection” (the “Act”) updates Connecticut General Statutes 16-245ff and 16-245gg to require the Connecticut Green Bank (“Green Bank”) to design and implement a Residential Solar Photovoltaic (“PV”) Investment Program (“Program”) that results in no more than three hundred and fifty (350) megawatts of new residential PV installation in Connecticut on or before December 31, 2022 and extends through December 31, 2022 or after deployment of 350 MW the ability to create Solar Home Renewable Energy Credits (“SHRECs”) that the electric distribution companies are required to purchase through 15-year contracts;

WHEREAS, as of July 1, 2019, the Program has thus far resulted in nearly two-hundred and seventy-three (273) megawatts of new residential PV installation application approvals and nearly two-hundred and thirty-five (235) MW of completed projects in Connecticut;

WHEREAS, pursuant to Conn. Gen Stat. 16-245a, a renewable portfolio standard was established that requires that Connecticut Electric Suppliers and Electric Distribution Company Wholesale Suppliers obtain a minimum percentage of their retail load by using renewable energy;

WHEREAS, real-time revenue quality meters are included as part of solar PV systems being installed through the Program that determine the amount of clean energy production from such systems as well as the associated RECs which, in accordance with Connecticut General Statute 16-245gg will be sold to the Electric Distribution Companies through a master purchase agreement entered into between the Green Bank, Eversource Energy, and United Illuminating, and approved by the Public Utility Regulatory Authority;

WHEREAS, pursuant to the Act, the Green Bank has prepared a declining incentive block schedule (“Schedule”) that offers direct financial incentives, in the form of the expected performance based buy down (“EPBB”) and performance-based incentives (“PBI”), for the purchase or lease of qualifying residential solar photovoltaic systems, respectively, fosters the sustained orderly development of a state-based solar industry, and sets program requirements for participants, including standards for deployment of energy efficient equipment and building practices as a condition for receiving incentive funding;

WHEREAS, pursuant to the Act, to address willingness to pay discrepancies between communities, the Green Bank will continue to provide additional incentive dollars to improve the deployment of residential solar PV in low to moderate income communities (“LMI PBI”);

WHEREAS, pursuant to the Act, to address sustained orderly development of a state-based solar industry, as part of the balance of plant of a solar PV system, an upfront energy storage system incentive (“EPBB ESS”) will provide emergency back-up power for residential participants as well as reduce demand, specifically peak demand, through the load management of the solar PV and energy storage system thereby socializing the benefits to all ratepayers; and

WHEREAS, the total allocation for the upfront EPBB battery storage incentive within RSIP for FY19 would be \$4 million or less, anticipated to support deployment of 2.5 to 4 MW of battery storage, or roughly 570-1200 projects depending on project sizes and associated incentive levels; and

WHEREAS, pursuant to Section 16-245(d)(2) of the Connecticut General Statutes, a Joint Committee of the Energy Conservation Management Board and the Connecticut Green Bank (the “Joint Committee”) was established to “examine opportunities to coordinate the programs and activities” contained in their respective plans (i.e., Conservation and Load Management Plan and Comprehensive Plan); and

WHEREAS, the Joint Committee has established a working group on battery storage deployment (“Working Group”) that includes DEEP, the Green Bank, Eversource, UI (Avangrid), and EEB consultants; the specific structure and incentive level of a possible EPBB ESS will be reviewed with this working group;

NOW, therefore be it:

RESOLVED, the Deployment Committee has reviewed and recommends that the Board approves of the Schedule of Incentives with the staff recommendation under Version 2 as set forth in the memo dated July 12, 2019, with the following adjustments:

- The LMI PBI incentive reduction for the ≤ 10 kW tier of the LMI PBI incentive will be reduced by 15% instead of 20% as originally proposed.
- The decrease in incentive reduction for the LMI PBI will be approximately offset (with respect to RSIP incentive expenditure) by an increase in incentive reduction to 35% for EPBB projects over 10 kW in size instead of 20% as originally proposed.

The proposed EPBB-ESS structure and incentive level as outlined in the memo of July 12, 2019 is to be reviewed with the Working Group in conjunction with the development of other state-wide battery storage performance incentives, compensation and other policy frameworks. Informed by the Working Group, if the Green Bank and DEEP mutually agree on the need for Green Bank-delivered battery storage incentives paired with solar deployment, as well as the structure and incentive levels needed to

promote uptake, a proposal will be drafted, reviewed and approved by the Green Bank Board of Directors.

Upon a motion made by Matt Ranelli and seconded by Bettina Bronisz, the Committee unanimously voted to approve the Resolution 2 with changes.

Mr. Garcia declared that although there is more work to do and open questions to address that relate to the EPBB-ESS proposal.

5. Financing Programs

a. Smart-E Loan – Health & Safety (Revised)

Reconsideration of the May 29, 2019 decision that requires the Smart-E H&S borrower to be a HES-IE customer or live in an LMI census tract. Green Bank staff took proposal to contractors and utilities and received a lot of strong feedback. Outcome from program contractors and utility program administrators was that the approved conditions would be difficult to operationalize and likely to result in very limited participation. Therefore, staff proposes to launch a pilot to reclassify asbestos and mold remediation from the “other/related” energy measure category, which currently limits them to 25% of an approved loan amount, to being standalone measures that can be financed in full. Details include: cap loan amount at \$25K to be applicable for all nine participating lenders, remediation allowed only in certain scenarios which prove a nexus to energy and, the number of homes in the pilot program will be determined by the Deployment Committee, which was set at 100 loans. Mr. Ranelli stated he is fine with what is proposed.

Resolution #3

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, “An Act Concerning the Establishment of the Department of Energy and Environmental Protection and Planning for Connecticut’s Energy Future,” which created the Connecticut Green Bank (the “Green Bank”) to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, statewide as of November 2013, with a network of local lenders providing low-cost and long-term financing for home energy improvements that are consistent with the state energy policy and the implementation of the CES;

WHEREAS, the Deployment Committee of the Green Bank approved of, in general, the concept laid out in a staff memorandum of May 22, 2019, with a focus on Connecticut homeowners using the HES-IE program or located in an LMI census tract; and

WHEREAS, Green Bank intends to develop and implement the Smart-E Loan program, as amended pursuant to staff recommendations as explained in the addendum to the memorandum to the Board dated July 5, 2019, to further leverage private capital and continue to offer Connecticut homeowners a financing solution;

NOW, therefore be it:

RESOLVED, that the Green Bank Deployment Committee (the “Deployment Committee”) approves of the reclassification of health and safety measures - specifically, asbestos and mold remediation - as standalone measures that can be financed by the Smart-E Loan in full, up to \$25,000, via a 100-home pilot program, consistent with the memorandum submitted to the Deployment Committee dated July 5, 2019.

Upon a motion made by Matt Ranelli and seconded by Bettina Bronisz, the Committee unanimously voted to approve Resolution 3.

b. Impact Investor and Small Business Energy Advantage

The New York-based Quarterly Meeting of the Society of Friends (QMSF), commonly referred to as the “Quakers”, approached IPC with interest in suitable impact investments. The Religious Society of Friends has a commitment to simplicity—to resisting materialism and consumerism—and find expression and appreciation in the Green Bank and IPC efforts of sustainability. Staff shared that the Green Bank has a strategic initiative to attract more impact investors to the Green Bank’s activities.

Based on more recent discussions, this impact investment by the QMSF is likely to be closer to \$500k (rather than up to \$1M). This investment by QMSF would be supported by a “non-exclusive” pledge of the economic interests held by Green Bank (CEFIA Holdings) in the portfolio of SBEA loans proceeds with an optional guaranty by Green Bank. The benefits to Green Bank is effectively a loan to Green Bank which allows a “test” via a short-term investment to determine how Impact Investors may respond to offers and other portfolio offerings. The maturity would be a maximum of 3 years with an annual call at QMSF’s option upon 90-days-notice which would provide Green Bank staff time to move/replace with Green Bank funds. Ms. Bronisz asked if IPC is offering a different deal? Mr. Hunter responded yes and provided details. Ongoing discussion included a question that if an Impact Investor wanted to do business with the Green Bank, could better terms (i.e. a lower effective loan rate in basis points) be negotiated? Mr. Hunter stated that these are the terms they agreed to but there could potentially be some flexibility in terms, with, for example as suggested by Ms. Bronisz, a mutual “call” at each anniversary rather than solely at QMSF’s option.

Mr. Hunter was asked to further explain details of this deal with Mr. Ranelli who may abstain from the vote until he completely recognizes facts and benefits of this deal. Mr. Hunter acknowledged that this is an unusual deal and would be available to discuss further with Mr. Ranelli. Further discussion was about whether the deal was okay with the religious group and it was confirmed that they approached the Green Bank. Ms. Sotos asked if this deal is ready for discussion with full Board however Mr. Farnen asked that it could be deferred until the next Board meeting. All in agreement that Mr. Hunter would call on Deployment Committee members to further explain deal so they can determine their support when presented to the full Board. The

Deployment Committee tables further action on Resolution #4 until next Board meeting.

c. Other News

Solar PPA Sale to CEI – Green Bank staff solicited three bids and is looking for approval of CEI Capital Management (as the proposed partner for an asset sale) who was selected due to favorable terms; based on a competitive development fee, deployment of CBG debt and asset management consultancy fees for two years post-sale. The assets to be sold are C-PACE secured (where available) commercial solar PPA projects developed by CEFIA Holdings. Green Bank staff requests Deployment Committee to approve sale of these commercial PPA projects (not to exceed \$2.5M). Mr. Farnen explained that staff originally thought it had authority to proceed under the Board’s approval in 2018 for commercial solar PPA transactions but, as Mr. Hunter pointed out, the verbiage was “implicit” not “explicit” authority regarding the sale of assets. Accordingly, staff is presenting to committee for approval.

Resolution #5

WHEREAS, the Connecticut Green Bank (“Green Bank”) has enjoyed a long and successful history of commercial-scale solar project development and financing;

WHEREAS, CEFIA Holdings LLC (“Holdings”) is the Green Bank’s solar project development vehicle, and the Green Bank’s existing agreements for the sale and/or term financing of solar PPAs;

WHEREAS, the market for commercial solar PPA financing continues to evolve, as various financing providers are entering the small commercial solar financing space with the ability to provide long-term financing for projects originated by the Green Bank;

WHEREAS, the Green Bank’s Board of Directors approved funding, in a total not-to-exceed amount of \$15 million in new money, subject to budget constraints, for the continued development of commercial-scale solar PV PPA projects, to be utilized for the following purposes pursuant to market conditions and opportunities:

1. Development capital;
2. Construction financing; and
3. Financing one or more 3rd-party ownership platforms, in the form of sponsor equity and/or debt.

NOW, therefore be it:

RESOLVED, that the Board of Directors approves the sale of solar PPA projects developed by Holdings in an amount not to exceed \$2,500,000 to a project entity associated with CEI Capital Management;

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

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli, the Committee unanimously voted to approve the Resolution 5.

6. Adjourn

Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli the Committee unanimously agreed to adjourn meeting at 10:10am

Respectfully submitted,

Commissioner Mary Sotos, Chair