



## Deployment Committee

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### **Meeting Date**

**February 27, 2020**





## **Deployment Committee**

**Shawn Wooden – Designee, Bettina Bronisz**

Treasurer, State of Connecticut

**Matthew Ranelli**

Partner, Shipman & Goodwin LLP

**Mary Sotos**

Senior Policy Advisor of Energy, DEEP

**Binu Chandy**

Deputy Director,

DECD

**Lonnie Reed**

Board Chair

845 Brook Street, Rocky Hill, CT 06067  
T 860.563.0015  
ctgreenbank.com



February 20, 2020

Dear Connecticut Green Bank Deployment Committee:

We have a regular meeting of the Deployment Committee scheduled on Thursday, February 27, 2020 from 2:30-3:00 p.m. in the Colonel Albert Pope Board Room of the Connecticut Green Bank at 845 Brook Street, Rocky Hill, CT 06067.

[Note, the meeting is only for 30 minutes, therefore participation by phone is encouraged.]

On the agenda we have the following items:

- **Consent Agenda** – approval of the meeting minutes for September 25, 2019
- **Financing Programs** – we have several transactions, including:
  - a. **Skyview Ventures** – financing for a senior secured term loan for commercial solar PV projects installed on municipal facilities for discussion and recommendation for Board of Director approval as a strategic selection; and
  - b. **C-PACE Projects** – several C-PACE transactions for solar PV projects in collaboration with Goodwill of Western and Northern Connecticut.

If you have any questions, comments or concerns, please feel free to contact me at any time. Looking forward to seeing (or hearing) you all next week.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bryan Garcia", with a long horizontal flourish extending to the right.

Bryan Garcia  
President and CEO



## **AGENDA**

Deployment Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Thursday, February 27, 2020  
2:30-3:00 p.m.

Dial (571) 317-3122  
Access Code: 520-110-141

Staff Invited: Louise Della Pesca, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter,  
Jane Murphy, Selya Price, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Approve Meeting Minutes for September 25, 2019 – 5 minutes
4. Financing Programs – 20 minutes
  - a. Skyview Ventures
  - b. C-PACE Transaction (Multiple Sites)
5. Adjourn

Join the meeting online at <https://global.gotomeeting.com/join/520110141>

Or call in using your telephone:  
Dial (571) 317-3122  
Access Code: 520-110-141

***Next Regular Meeting: Wednesday, May 27, 2020 from 2:00-3:00 p.m.  
Colonel Albert Pope Board Room at the  
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT***



## **RESOLUTIONS**

Deployment Committee of the  
Connecticut Green Bank  
845 Brook Street  
Rocky Hill, CT 06067

Thursday, February 27, 2020  
2:30-3:00 p.m.

Dial (571) 317-3122  
Access Code: 520-110-141

Staff Invited: Louise Della Pesca, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter,  
Jane Murphy, Selya Price, and Eric Shrago

1. Call to order
2. Public Comments – 5 minutes
3. Approve Meeting Minutes for September 25, 2019 – 5 minutes

### **Resolution #1**

Motion to approve the meeting minutes of the Deployment Committee for September 25, 2019.

4. Financing Programs – 20 minutes

### **Resolution #2**

**WHEREAS**, when the Green Bank Board of Directors (the “Board of Directors”) passed resolutions at its July 18, 2019 meeting approving 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, for development capital; construction financing; financing one or more 3rd-party ownership platforms, in the form of sponsor equity and/or debt; and selling solar PPA projects developed by CEFIA Holdings LLC (“Holdings”) to third parties, the resolutions restricted projects to those developed by Holdings;

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) is uniquely positioned to continue developing a commercial solar PPA pipeline through local contractors in response to continued demand from commercial-scale off-takers;

**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**, there is still demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar via a PPA, while both bolstering project returns for investors and enhancing project savings profiles for customers; and

**WHEREAS**, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee recommends that that Board of Directors approves funding, in a total not-to-exceed amount of \$30 million in new money (representing an increase of the previously approved not to exceed amount of \$15 million), subject to budget constraints, for the continued development by Green Bank, and financing of development by 3<sup>rd</sup> parties, 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;
3. Financing one or more 3<sup>rd</sup>-party ownership platforms, in the form of sponsor equity and/or debt; and
4. Sell solar PPA projects developed by Holdings to third parties.
  - a. Skyview Ventures

### **Resolution #3**

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) has significant experience in the development and financing of commercial solar PPA projects in Connecticut;

**WHEREAS**, the Green Bank continually seeks new ways to work with private sector partners to meet the demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar and savings via a PPA;

**WHEREAS**, the Green Bank has established a working relationship with a private sector Connecticut solar developer, Skyview Ventures, and through that relationship the Green Bank has an opportunity to deploy capital for the development of clean energy in Connecticut; and

**WHEREAS**, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee recommends for the approval by the Board of Directors the strategic selection of Skyview Ventures as a counterparty to a transaction, described further in the following resolution, with CEFIA Holdings, LLC; and

**RESOLVED**, that the Deployment Committee recommends for the approval by the Board of Directors a transaction in which CEFIA Holdings LLC will provide a special purpose vehicle, wholly owned by Skyview Ventures, with a senior secured lending facility in an amount not to

exceed \$2,300,000 on terms and conditions substantially consistent with those described in a memorandum to the Deployment Committee dated February 20 2020.

b. C-PACE Transaction (Multiple Sites)

**Resolution #4**

**WHEREAS**, pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the “Act”), the Connecticut Green Bank (Green Bank) is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy (“C-PACE”);

**WHEREAS**, the Green Bank Board of Directors (the “Board”) has approved a \$40,000,000 C-PACE construction and term loan program;

**WHEREAS**, the Green Bank seeks to provide six construction and term loans as more particularly described in the memorandum submitted to the Board of Directors dated June 25, 2019 (the “Memo”) totaling \$2,274,197 (each being a “Loan” and collectively, the “Loans”) under the C-PACE program to Goodwill of Western and Northern Connecticut, Inc., the building owner of the six Goodwill properties located in New Milford, Brookfield, Bridgeport, Monroe, Oxford and Hartford, CT, to finance the construction of specified clean energy measures in line with the State’s Comprehensive Energy Strategy and the Green Bank’s Strategic Plan; and

**WHEREAS**, the Green Bank may also provide a short-term unsecured loan (each being a “Feasibility Study Loan”) from a portion of each Loan amount, to finance the feasibility study or energy audit required by the C-PACE authorizing statute, and such Feasibility Study Loan would become part of such Loan and be repaid to the Green Bank upon the execution of such Loan documents.

**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 Loans and, if applicable, any Feasibility Study Loans in an combined amount not to be greater than one hundred ten percent of the combined Loans amount with terms and conditions consistent with the Memo, 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 of Directors;

**RESOLVED**, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

**RESOLVED**, that the proper the 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.

5. Adjourn

Join the meeting online at <https://global.gotomeeting.com/join/520110141>

Or call in using your telephone:

Dial (571) 317-3122  
Access Code: 520-110-141

***Next Regular Meeting: Wednesday, May 27, 2020 from 2:00-3:00 p.m.  
Colonel Albert Pope Board Room at the  
Connecticut Green Bank, 845 Brook Street, Rocky Hill, CT***





CONNECTICUT  
**GREEN BANK**<sup>SM</sup>

# Deployment Committee Meeting

February 27, 2020

# Deployment Committee

Agenda Item #1  
Call to Order



# Deployment Committee

## Agenda Item #2

### Public Comments



# Deployment Committee

Agenda Item #3  
Consent Agenda



# Consent Agenda

## Resolution 1



1. **Meeting Minutes** – approval of meeting minutes of September 25, 2019

Deployment Committee  
Agenda Item #4a – part 1  
Financing Programs  
Skyview Ventures



# Skyview Ventures

## Senior Secured Loan Facility



### *Overview*

- **Skyview Ventures** – CT commercial solar developer; in business since 2008; [REDACTED] ([REDACTED] projects) under management
- **Existing Green Bank relationship** – Sold 6 projects representing [REDACTED] ([REDACTED] total project value) over 2 transactions in the past 5 months
- **Transaction** – senior secured debt facility in an amount not to exceed \$2.3M; [REDACTED] DSCR; [REDACTED] year term; [REDACTED]
- **Security** – Up to 20 commercial solar PPA projects with investment grade, municipal off-takers
- **Use of proceeds** – for the development and longer term financing and re-financing of CT clean energy projects.

# Skyview Ventures

## Senior Secured Loan Facility



### *Transaction Structure Diagram*

***REDACTED***



# Skyview Ventures

## Senior Secured Loan Facility



*Collateral Snapshot\**

**REDACTED**

*\*Subject to completion of technical due diligence*

# Skyview Ventures

## Senior Secured Loan Facility



### *Risks and Mitigants*

- **Operational risk** – revenue, and ultimately DSCR, depend on production (kWh) performance
- **Mitigants:**
  1. Diligence: 45% of collateral projects have been operational for 3+ years and have achieved [REDACTED] of expected production yearly
  2. Same diligence performed on collateral as on CGB-developed commercial solar assets
  3. Stress tested cashflows: even at [REDACTED] of expected production, DSCR is [REDACTED]
  4. For a DSCR of [REDACTED], production would have to be [REDACTED] below expectations for duration of the term

# Skyview Ventures

## Senior Secured Loan Facility



### *Risks and Mitigants*

- **Default risk** – Skyview fails to make debt repayments
- **Mitigants:**
  1. The debt is sized such that DSCR is [REDACTED], providing a healthy buffer
  2. The advance rate is [REDACTED]
  3. Reserves of [REDACTED] interest and principal payments must be maintained
  4. Downside scenario (CGB takes ownership of the collateral) is within our operational comfort zone (CGB has 20 MW commercial solar assets under management)

# Skyview Ventures

## Senior Secured Loan Facility



### Resolutions

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) has significant experience in the development and financing of commercial solar PPA projects in Connecticut;

**WHEREAS**, the Green Bank continually seeks new ways to work with private sector partners to meet the demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar and savings via a PPA;

**WHEREAS**, the Green Bank has established a working relationship with a private sector Connecticut solar developer, Skyview Ventures, and through that relationship the Green Bank has an opportunity to deploy capital for the development of clean energy in Connecticut; and

**WHEREAS**, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee recommends for the approval by the Board of Directors the strategic selection of Skyview Ventures as a counterparty to a transaction, described further in the following resolution, with CEFIA Holdings, LLC; and

**RESOLVED**, that the Deployment Committee recommends for the approval by the Board of Directors a transaction in which CEFIA Holdings LLC will provide a special purpose vehicle, wholly owned by Skyview Ventures, with a senior secured lending facility in an amount not to exceed \$2,300,000 on terms and conditions substantially consistent with those described in a memorandum to the Deployment Committee dated February 20 2020.

# Deployment Committee

Agenda Item #4a – part 2

Financing Programs

Expansion of Commercial Solar PPA Investment  
Program

# Commercial Solar PPA Investment Program

Expansion of debt financing



*The journey so far...*

1. **CGB-developed and owned commercial solar assets** – 19.5 MW; 90 projects
2. **CGB-developed assets sold to third parties** – 9.4 MW, 14 projects
3. **CGB-developed assets sold to third parties with CGB secured debt advanced concurrently** – 3.1 MW, 20 projects
  - Projects sold to Sunwealth and Skyview Ventures
  - [REDACTED] lent to Sunwealth
  - [REDACTED] lent to Skyview

# Commercial Solar PPA Investment Program

Expansion of debt financing



*Opportunity for expansion*

## **Debt facilities secured by CT commercial solar PPA assets that are developed by third parties**

### **Why?**

- A **practical, progressive** step in our attempt to bring scale to CT's commercial solar PPA sector
- Since closing SL2 and SL3, CGB's intention was not to establish a new fund (transaction costs)
- Instead, we continued to meet market demand for development of PPA projects, typically at a smaller scale and with underserved off-takers
- In continuing this development work we realized an additional market role: to lend against smaller portfolios of transactions which for various reasons are not attractive at present to private capital at interest rates that allow project owners to provide value to off-takers.

# Commercial Solar PPA Investment Program

## Expansion of debt financing



### *Opportunity for expansion*

### **Why? (continued)**

- This expansion fits with our strategic shift to use our investment platform to supply capital at scale for deployment in the CT commercial solar sector
- Building a portfolio of these secured debt transactions will also allow us to raise capital once we aggregate a number of projects through our Green Liberty Bond program (where we can raise funding in the current market at about 3 to 3-1/2%.)
- Urgency: we are running up against declining federal investment tax credit rates and an expiring ZREC program – so we need to move even faster while the market is pushing up against these headwinds
- Our transaction with Skyview has given us a precedential diligence process and suite of loan documentation, reducing future transaction costs.



# Commercial Solar PPA Investment Program

## Expansion of debt financing



**WHEREAS**, when the Green Bank Board of Directors (the “Board”) passed resolutions at its July 18, 2019 meeting approving 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, for development capital; construction financing; financing one or more 3rd-party ownership platforms, in the form of sponsor equity and/or debt; and selling solar PPA projects developed by CEFIA Holdings LLC (“Holdings”) to third parties, the resolutions restricted projects to those developed by Holdings;

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) is uniquely positioned to continue developing a commercial solar PPA pipeline through local contractors in response to continued demand from commercial-scale off-takers;

**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**, there is still demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar via a PPA, while both bolstering project returns for investors and enhancing project savings profiles for customers; and

**WHEREAS**, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

# Commercial Solar PPA Investment Program

## Expansion of debt financing



**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee recommends that the Board of Directors approves funding, in a total not-to-exceed amount of \$30 million in new money (representing an increase of the previously approved not to exceed amount of \$15 million), subject to budget constraints, for the continued development by Green Bank, and financing of development by 3<sup>rd</sup> parties, of commercial-scale solar PV PPA projects, to be utilized for the following purposes pursuant to market conditions and opportunities:

- Development capital;
- Construction financing;
- Financing one or more 3<sup>rd</sup>-party ownership platforms, in the form of sponsor equity and/or debt; and
- Sell solar PPA projects developed by Holdings to third parties.

Deployment Committee  
Agenda Item #4b  
Financing Programs  
C-PACE Transaction – Multiple Sites



# Goodwill of Western & Northern CT Ratepayer Payback



- **\$2,274,197 total** for rooftop Solar PV systems across **6 properties**.
- Projected savings are **47,351 MMBtu total** versus **\$2,274,197** of ratepayer funds at risk.

**REDACTED**

- Ratepayer funds will be paid back in one of the following ways
  - ❑ (a) through a take-out by a private capital provider at the end of construction (project completion);
  - ❑ (b) subsequently, when the loan is sold down to a private capital provider; or
  - ❑ (c) through receipt of funds from **Bridgeport, Brookfield, Hartford, Monroe, New Milford & Oxford** as they collect the C-PACE benefit assessments from the property owner.

# Goodwill of Western & Northern CT

## Terms and Conditions



- **\$2,274,197 total** construction loan at 5% and 6 term loans each set at a fixed 5% over the 5-year terms
- **\$2,274,197 total** for loans on 6 properties
  - Properties valued at **REDACTED**
  - Average Loan-to-value ratio equals **REDACTED**; Average Lien-to-value ratio equals **REDACTED**
- DSCR > **REDACTED**

# Goodwill of Western & Northern CT

## Key Metrics per Property Location



**REDACTED**

# Goodwill of Western & Northern CT



## The Five W's

- **What?** Receive approval for a total \$2,274,197 construction and (potentially) term loans for 6 properties under the C-PACE program to Goodwill of Western and Northern Connecticut, Inc. to finance the construction of specified energy upgrade
- **When?** Project to commence 2020
- **Why?** Allow Green Bank to finance this C-PACE transaction, continue to build momentum in the market, and potentially provide term financing for this project until Green Bank sells it along with its other loan positions in C-PACE transactions.
- **Who?** Goodwill of Western and Northern Connecticut, Inc., the owner of all 6 properties
- **Where?** Bridgeport, Brookfield, Hartford, Monroe, New Milford & Oxford

# Goodwill of Western & Northern CT

## 20-year Total Cashflows



**REDACTED**



# Deployment Committee

Agenda Item #5  
Adjourn





**DEPLOYMENT COMMITTEE  
OF THE CONNECTICUT GREEN BANK**

845 Brook Street  
Rocky Hill, CT 06067

Wednesday, September 25, 2019  
2:00 – 2:30 p.m.

The quarterly meeting of the Deployment Committee of the Connecticut Green Bank (the “Green Bank”) was held on September 25, 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 2:00pm

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

Members absent: Betsy Crum

Others attending:

Staff participating: Mackey Dykes, Brian Farnen (by phone)?, Bryan Garcia, Bert Hunter, Jane Murphy, Selya Price, Cheryl Samuels, Eric Shrago, Mike Yu (by phone)

**2. Public Comments**

There were no public comments.

Subject to changes

### 3. Consent Agenda

- a. Approve Meeting Minutes for Meeting Minutes for July 12, 2019

#### **Resolution #1**

Motion to approve the meeting minutes of the Deployment Committee for July 12, 2019.

**Upon a motion made by Matt Ranelli and seconded by Bettina Bronisz with Binu Chandy abstaining, the Committee voted to approve the Consent Agenda; Meeting Minutes from the July 12, 2019 meeting.**

### 4. Financing Programs

- a. C-PACE Transaction (Stonington)

Mr. Dykes presented this potential energy efficiency program at Sea Research Foundation, Inc. (Mystic Aquarium) in Stonington, CT. Largest savings would be on the variable speed drives. Other improvements include; LED lighting (retrofit), HVAC unit replacement (original from the 1970's), Building Energy Management System, and roof replacement. An additional solar program is also in the works but is separate from this C-PACE transaction. Project would commence in 2019 at 55 Coogan Boulevard, Stonington, CT.

There is a \$52 million appraisal of the building with Webster Bank as the mortgage lien holder. Mr. Yu shared that the Foundation has strong credit and that there is a strong assessment on the land alone. Mr. Ranelli stated it "sounds like a good project." Mr. Garcia shared that he recently met with the Speaker of the CT House of Representatives and shared the potential program at Mystic Aquarium. The Speaker was pleased with the Green Bank's work with a CT tourism related organization. Mr. Ranelli asked if the Foundation is a 'membership organization'. He suggests the Green Bank ask if promotional information can be issued to their members in their newsletter or the like. Mr. Garcia stated they would find out more about this potential opportunity.

There was another question regarding the solar installation and Mr. Dykes reaffirmed that solar is not part of this C-PACE project. Mr. Ranelli asked if the Foundation was considering a fuel cell. Mr. Dykes was not certain if the Foundation had considered that option but that he would ask their Facilities Manager.

Ms. Chandy had a question about how the Green Bank is repaid? Ratepayer funds loaned will be paid back in one of the following ways: 1) a take-out by a private capital provider at project completion; 2) when loan is sold down to a private capital provider; or 3) through receipts of funds from the Town of Stonington as it collects the C-PACE benefit assessment from the property owner. Said tax assessment is attached to the property and the Green Bank works with municipalities to opt-in to projects and that the Green Bank is the lender so the loan stays in Green Bank hands. For this project, the cost is \$1.3 million.

## **Resolution #2**

**WHEREAS**, pursuant to Section 157 of Public Act No. 12-2 of the June 12, 2012 Special Session of the Connecticut General Assembly and as amended (the “Act”), the Connecticut Green Bank (Green Bank) is directed to, amongst other things, establish a commercial sustainable energy program for Connecticut, known as Commercial Property Assessed Clean Energy (“C-PACE”);

**WHEREAS**, the Green Bank Board of Directors (the “Board”) has approved a \$40,000,000 C-PACE construction and term loan program;

**WHEREAS**, the Green Bank seeks to provide a \$1,285,872 construction and (potentially) term loan under the C-PACE program to Sea Research Foundation, Inc., the building owner of 55 Coogan Blvd. Mystic, Connecticut (the “Loan”), to finance the construction of specified clean energy measures in line with the State’s Comprehensive Energy Strategy and the Green Bank’s Strategic Plan; and

**WHEREAS**, the Green Bank may also provide a short-term unsecured loan (the “Feasibility Study Loan”) from a portion of the Loan amount, to finance the feasibility study or energy audit required by the C-PACE authorizing statute, and such Feasibility Study Loan would become part of the Loan and be repaid to the Green Bank upon the execution of the Loan documents.

**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 Loan and, if applicable, a Feasibility Study Loan in an amount not to be greater than one hundred ten percent of the Loan amount with terms and conditions consistent with the memorandum submitted to the Committee dated September 17, 2019, 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 of Directors;

**RESOLVED**, that before executing the Loan, the President of the Green Bank and any other duly authorized officer of the Green Bank shall receive confirmation that the C-PACE transaction meets the statutory obligations of the Act, including but not limited to the savings to investment ratio and lender consent requirements; and

**RESOLVED**, that the proper the 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.

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

Subject to changes

While everyone was 'swimmingly' pleased with these results and sharing other water related expressions, Mr. Garcia stated the committee will await future updates from Mr. Dykes about potential outreach plans or other improvement options.

## 5. Adjourn

**Upon a motion made by Bettina Bronisz and seconded by Matt Ranelli the Committee unanimously agreed ("Aye, Aye") to adjourn meeting at 2:15pm.**

Respectfully submitted,

\_\_\_\_\_  
Commissioner Mary Sotos, Chair

DRAFT

845 Brook Street, Rocky Hill, CT 06067  
T 860.563.0015  
ctgreenbank.com



## Memo

**To:** Deployment Committee, Connecticut Green Bank

**From:** Louise Della Pesca, Associate Director, Clean Energy Finance; Desiree Miller, Senior Manager, Clean Energy Finance; Fiona Stewart, Manager, Clean Energy Finance; Mariana, Principal, Monte Verde Consulting LLC

**CC:** Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO

**Date:** February 20, 2020

**Re:** Financing for a Senior Secured Term Loan to Special Purpose Vehicle owned by Skyview Ventures LLC in an amount not to exceed \$2.3M

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### Investment Summary

This credit memorandum sets out the rationale for advancing a senior secured loan facility ("Term Loan") in an amount not to exceed \$2.3M to a Special Purpose Vehicle ("SPV" or "Borrower") wholly owned by Skyview Ventures, LLC ("Skyview"). The proceeds of the Term Loan will be used in the development and longer term financing and re-financing of commercial solar assets in Connecticut. A summary of terms is provided in Appendix [A]. The interest rate on the Term Loan is [REDACTED] over a [REDACTED] year term, with arrangement fees of [REDACTED] due on closing. A first priority lien on the SPV's assets, which comprise [20] operational commercial solar PPA projects (each "a Project" and, collectively, "Projects") with municipal off-takers in Connecticut, will secure the Term Loan. A sculpted amortization schedule ensures that the forecast debt service coverage ratio ("DSCR") is [REDACTED] throughout the term. The lender is CEFIA Holdings, LLC ("Holdings" or "Lender"), Connecticut Green Bank's ("Green Bank") commercial solar development subsidiary, and the borrower is a SPV owned by Skyview, a Connecticut solar developer founded in 2008 with over [REDACTED] commercial solar assets (over [REDACTED] capacity) under management.

By advancing a Term Loan that is secured by assets that are very familiar to Green Bank, which itself has 20 MW of commercial solar assets under management, Holdings is operating within an acceptable risk tolerance to access long term interest income, thereby contributing to the organization's wider financial sustainability goals. In addition, Green Bank is fulfilling its role of promoting clean energy deployment by addressing a gap in the market due to transaction costs associated with financing these 'smaller portfolios' as further described below.

## Background

As part of Green Bank's commercial solar power purchase agreement ("PPA") investment program, the Green Bank Board of Directors approved \$15 M funding in July 2019 for "financing one or more 3<sup>rd</sup>-party ownership platforms, in the form of sponsor equity and/or debt" and also gave approval to "sell solar PPA projects developed by Holdings to third parties". With that mandate, Holdings closed a transaction with Skyview in the fourth quarter of 2019 ("Q42019") involving the sale of 6 commercial solar PPA projects and a concurrent term loan secured by the sold assets. The [REDACTED] term loan portion of the Q42019 transaction with Skyview was very similar to the investment being presented for approval by this memo: [REDACTED] interest rate, secured by a first priority lien on commercial solar assets, [REDACTED] year term, [REDACTED] DSCR. The Q42019 transaction established precedential terms, covenants, and documentation, all of which have reduced the transaction costs associated with this Term Loan.

Following the successful close of the Q42019 transaction, Skyview approached Green Bank to gauge interest in advancing a Term Loan, secured by [20] operational commercial solar PV assets with Connecticut municipality off-takers.

Prior to approaching Green Bank, Skyview contacted private sector banks but discovered that the transaction costs associated with accessing debt across the size of the portfolio was challenging and proved too onerous. The smooth working relationship that Green Bank had established with Skyview, the indicative quality of the assets and cashflows contemplated as security for the Term Loan, and the use of Green Bank-preferred documentation were the determining factors as staff proceeded to conduct due diligence for the transaction.

## Overview of Skyview Ventures LLC

REDACTED

## Overview of Collateral

REDACTED

Table 1 shows that the weighted average remaining term of the PPAs exceeds the term of the Term Loan (15 years), which is important because the PPA revenue provides over 50% of the revenue stream for the Projects. The weighted average remaining term of the of the ZREC contracts is less than the term of the Term Loan but, by sculpting the amortization profile of the Term Loan, the forecast DSCR will remain a healthy [REDACTED].

Staff has conducted the following due diligence on the Projects:

- Reviewed the terms of the PPAs and found them to be commensurate with market expectations of such contracts, and reviewed ZREC terms to confirm value of the contracted revenue stream.
- Reviewed interconnection agreements and utility authorization to interconnect to confirm that all Projects have permission to operate.

Commented [LDP1]: In progress as at date of DC meeting.

- Reviewed expected production figures to confirm that Projects are expected to generate revenues as outlined in a cashflow forecast model (extract at Appendix [D]).
- Reviewed as-built engineering drawings for each Project to confirm the quality of equipment used in the Projects and found the quality (e.g., use of 'Tier 1' modules) to be comparative to the equipment used by Holdings when developing commercial solar projects.

Appendix [E] summarizes the technical due diligence performed on the Projects, which resulted in no adverse findings.

Staff has reviewed the production and payment history of the already-operational Projects for the purposes of (a) evaluating actual vs. expected performance in terms of kWh produced, and (b) confirming that the off-takers are not delinquent or slow payers on the contracts.

As described in the *Operational Risk* section of this memo, the operational Projects have been meeting production forecasts, with weather-adjusted production relative to expected production ranging from [REDACTED] over the past three years.

Based on the Accounts Receivable Report provided by Skyview, the off-takers have a history of making timely payments. All four of the municipal off-takers are strong, investment grade credits (AA or better). Their credit ratings, determined at the time of their most recent bond issuances, are presented in Appendix [C].

**Commented [LDP2]:** Note at time of DC meeting: If any adverse finding on any Project were to come up as technical review finalizes, the Project would not be considered in the portfolio being financed through the proposed Term Loan and the size of the Loan would be adjusted based on the DSCR.

## Transaction Structure

Holdings will advance a Term Loan facility to a SPV that has no other debt and its only assets are the Projects that secure the Term Loan. The SPV services the Term Loan repayments from operating income earned by [20] PPA Projects.

REDACTED

## Risks and Mitigants

### *Operational Risk*

- Borrower's ability to service the debt repayments is dependent on how well the Projects operate, i.e., how much electricity they generate.
- All Projects were installed by the same contractor and 45% of the projects in the portfolio have been operational for at least three years, which means that Staff has a good dataset from which to analyze operational performance.
- Actual production of the entire portfolio was [REDACTED], compared to expected production (weather adjusted).
- For the remaining 'newer' projects in the portfolio that do not yet have operational track records, Staff performed diligence in the same manner as it does for projects



developed internally to ensure production estimates are reliable. This included comparison of expected yields (kWh / kW) to similar projects within Green Bank's 20 MW, 100+ commercial solar asset portfolio.

- Further, Staff stress tested the cashflow forecast model for the transaction to ensure that, even if the portfolio performed consistently [REDACTED] production expectations, Borrower would still have adequate cash flow to repay debt service on the Term Loan (the stress tested DSCR was [REDACTED]).
- Borrower is required to maintain an Operations and Maintenance ("O&M") agreement for the duration of the Term Loan. A copy of the O&M contract has been reviewed by Staff and found to be commensurate with the O&M contract that Green Bank has in place for its owned commercial solar assets.

#### *Default Risk*

- Borrower is required to maintain a DSCR of [REDACTED], tested annually, for the duration of the Term. Staff has developed a cashflow forecast model that supports the ability of Borrower to maintain the DSCR given the expected revenue and operating expenses.
- Further, reserves equivalent to [REDACTED] of principal and interest payments will be funded at closing.
- If Borrower were to default on the Term Loan, Lender would be entitled to take ownership of the collateral ([20] PPA Projects). In this worst case downside scenario, the net present value ("NPV") of the EBITDA generated by the Projects under the remaining PPA terms is greater than the Term Loan amount, meaning the effective advance rate is less than [REDACTED].
- Given Green Bank's experience managing this type of asset, it has the appropriate internal expertise to manage the Projects and ensure the portfolio provides the expected cashflows.

#### *Construction Risk*

- Only one of the 20 projects has not reached commercial operation, so Lender will not take any construction risk and funds will only be advanced for that project once it reaches commercial operation.

#### **Ratepayer Payback**

*How much clean energy is being produced (i.e. kWh over the projects lifetime) from the project versus the dollars of ratepayer funds at risk?*

The portfolio is expected to produce 25,500,000 kWh of energy, over a 15 year period, and the Term Loan is \$[2.3]M. The kWh / \$ ratepayer funds at risk is forecast to be [11.1].

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<sup>1</sup> NPV assumes a [REDACTED] discount rate to mirror the interest rate on the Term Loan.

## Capital Extended

*How much of the ratepayer and other capital that Green Bank manages is being expended on the project?*

The Term Loan will not exceed \$[2.3] M.

## Strategic Selection

This transaction falls within the parameters of a strategic selection, subject to Board approval, for the reasons outlined below.

- **Special Capabilities** – Skyview, the parent company of Borrower, has over a decade of experience in developing, owning, and operating commercial solar PV assets. Specifically, it has experience in the Connecticut market and, with its wholly owned development subsidiaries, is vertically integrated unlike its industry peers.
- **Uniqueness** – While the Term Loan is very similar to transactions previously entered into by Holdings, it differs because (a) the majority of the Projects that will secure the Term Loan are already operational, and (b) the Projects were not developed by Holdings itself;
- **Strategic Importance** – The Term Loan represents a continuation of a business relationship with a counterparty that Green Bank has successfully and smoothly transacted with in the past and is likely to transact with in future. For example, Green Bank continues to develop commercial solar PPA projects with underserved off-takers and Skyview has a track record of purchasing such projects from Green Bank and has expressed an interest in doing so in future. Further, by providing the Term Loan to Skyview, Green Bank is setting a precedent and defining a process for future similar transactions that can provide a source of investment income to support the long term sustainability of the organization;
- **Urgency and Timeliness** – Green Bank seeks to deploy capital in mission-driven transactions with appropriate levels of risk and return. This transaction meets this criteria and Skyview has expressed the need to close by March 31, 2020; and
- **Multiphase Project** - Successful execution of the Term Loan would represent a follow-on transaction from that which closed in Q42019, and will make use of the loan documentation previously agreed between parties. It is anticipated that Skyview will make further leveraged purchases of PPA projects that Holdings is developing in 2020.

## Recommendation

In conclusion, the Staff recommends approval of this transaction by Deployment Committee prior to Staff presenting the transaction to the Board in March 2020.

## Resolutions

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) has significant experience in the development and financing of commercial solar PPA projects in Connecticut;

**WHEREAS**, the Green Bank continually seeks new ways to work with private sector partners to meet the demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar and savings via a PPA;

**WHEREAS**, the Green Bank has established a working relationship with a private sector Connecticut solar developer, Skyview Ventures, and through that relationship the Green Bank has an opportunity to deploy capital for the development of clean energy in Connecticut; and

**WHEREAS**, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee recommends for the approval by the Board of Directors the strategic selection of Skyview Ventures as a counterparty to a transaction, described further in the following resolution, with CEFIA Holdings, LLC; and

**RESOLVED**, that the Deployment Committee recommends for the approval by the Board of Directors a transaction in which CEFIA Holdings LLC will provide a special purpose vehicle, wholly owned by Skyview Ventures, with a senior secured lending facility in an amount not to exceed \$2,300,000 on terms and conditions substantially consistent with those described in a memorandum to the Deployment Committee dated February 20 2020.

## Appendix A: Term Sheet

### **Indicative Summary of Terms and Conditions Skyview Ventures Special Purpose Vehicle Up to \$2,100,000 Senior Secured Loan Facility**

February 10, 2020

*For Discussion Purposes Only – Confidential – This is Not a Commitment*

*This Indicative Summary of Terms and Conditions or Preliminary Term Sheet describes certain of the principal terms and conditions of the proposed line of credit described below, is for discussion purposes only and is not to be construed in any way as a commitment or undertaking of CEFIA Holdings LLC, or any of its subsidiaries or affiliates, to provide a loan or any other type of financing. This Preliminary Term Sheet supersedes any and all prior correspondence, written and oral, concerning a proposed loan with regard to the proposed loan facility. The actual terms and conditions under which CEFIA Holdings LLC may be willing to provide the loan facility to the Borrower (as hereinafter defined) shall be subject to, inter alia, (i) satisfactory completion by CEFIA Holdings LLC of its due diligence process in scope and with results satisfactory to Green Bank in Green Bank's sole and absolute discretion, (ii) the accuracy and completeness of all representations that Performance Guarantor (on your behalf and on behalf of Borrower) make to Green Bank, (iii) obtaining necessary internal credit approvals and Green Bank Board of Director authorization and the negotiation, execution and delivery of definitive documentation consistent with the proposed terms herein and otherwise satisfactory to CEFIA Holdings LLC and Green Bank (iv) no change, occurrence or development shall occur or shall have occurred that has had or could reasonably be expected to have a material adverse effect on the Performance Guarantor or Borrower, their respective businesses or the contemplated collateral for the proposed credit facility and (v)(1) all financial projections concerning the Borrower that have been or are hereafter made available to CEFIA Holdings LLC and Green Bank by the Performance Guarantor or any of its representatives (or on your or their behalf) (the "Projections") have been or will be prepared in good faith based upon reasonable assumptions and (2) all information, other than Projections, which has been or is hereafter made available to CEFIA Holdings LLC and Green Bank by the Performance Guarantor or any of its representatives (or on your or their behalf) in connection with any aspect of the transactions contemplated hereby, as and when furnished, is and will be complete and correct in all material respects and does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading. The pricing and terms included in this Preliminary Term Sheet are based on market conditions on the date hereof and are subject to change.*

**Borrower:** A special purpose entity wholly and directly owned by Skyview Ventures, LLC (the "Borrower")

**Performance Guarantor:** Skyview Ventures, LLC

**Lender:** CEFIA Holdings, LLC

**Loan Facility:** Up to \$2,100,000 available under multiple advances within a 12 month period, with a financing term not to exceed ■ years from the date of the final advance.

**Availability Limits:** Fully available at closing for use in the development and longer term financing and re-financing of commercial solar PV projects located in the state of CT.

**Security:** All obligations to Lender will be secured by:

1. First priority perfected security interest in and lien on and collateral assignment of the Borrower's existing and future assets, including pledged equity interests of Borrower indirectly owned by the Performance Guarantor, and the proceeds thereof;

2. Borrower's right, title and interest in all accounts, contract rights, rights to payment of a monetary obligation or other consideration to receive payments by virtue of being counterparty to power purchase agreements and zero emissions renewable energy credit contracts;

3. Assignment of all warranties, licenses, insurance policies and proceeds related to any of the foregoing, and general intangibles.

Collateral to be further defined in the definitive documentation for the loan facility.

**Use of Proceeds:** The Loan Facility will be used for the development and longer-term financing and re-financing of commercial solar assets in the state of CT.

**Interest Rate:** [REDACTED] calculated on a 360 day basis.

**Financial Covenants:** The collateral portfolio must maintain a DSCR of [REDACTED], tested annually. The total loan amount advanced will not exceed [REDACTED] ("Advance Rate") of collateral portfolio forecast earnings before interest, tax, depreciation and amortization ("EBITDA"), and such EBITDA will be discounted at [REDACTED] to arrive at the Advance Rate.

**Closing Fee:** [REDACTED] of loan facility, payable at closing.

**Reporting Covenants:** To be defined within loan documentation, but should expect: annual financial statements of Borrower and Performance Guarantor; annual payment performance history of customers of the commercial solar projects (collateral); annual operational performance (kWh) reports of collateral.

**Other Terms and Conditions:** To be defined within loan documentation, but should expect: events of default, cross default, default interest rate and late charges, remedies, indemnities, operating performance and operations and maintenance provisions, distributions of cash flow, deposit accounts control matters, liability, property casualty and business interruption insurance, annual financial statements of Borrower and Performance Guarantor; annual payment performance history of customers of the commercial solar projects (collateral); annual operational performance (kWh) reports of collateral.

**Expiration:** The proposal herein shall not be a basis for negotiation unless definitive documentation is executed and delivered not later than April 15, 2020.

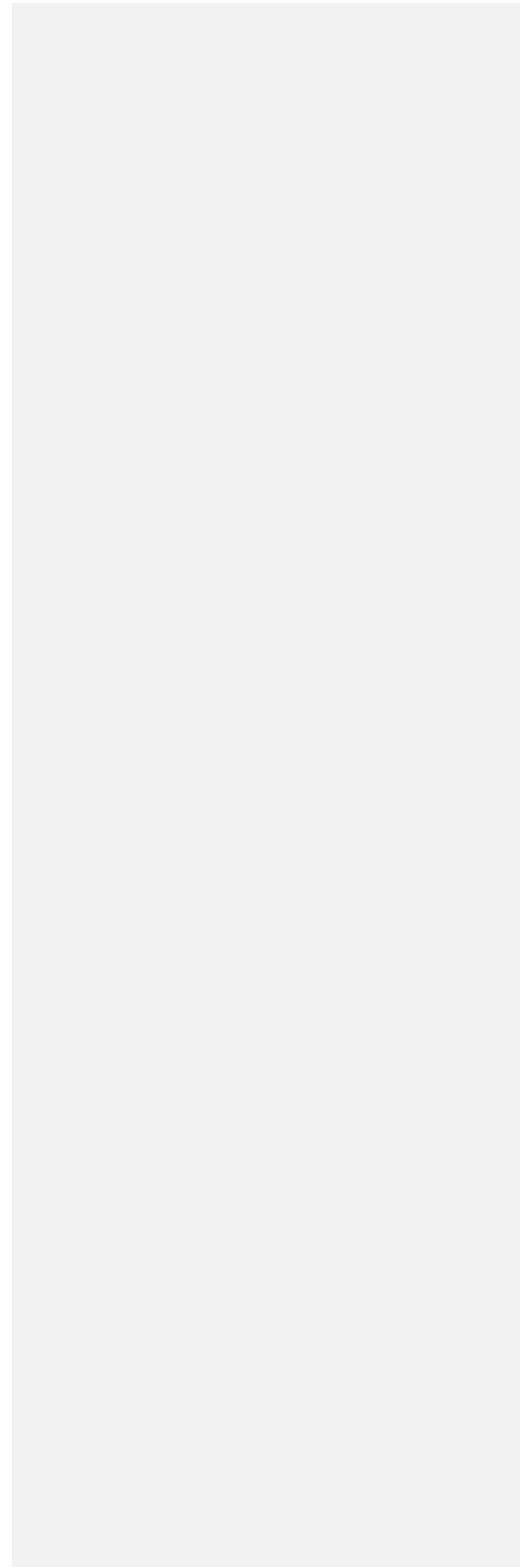
**Expenses:** The Borrower shall reimburse CGB for the costs and expenses, including the fees of outside counsel, incurred by CGB in connection with the preparation and execution of the Loan Facility, whether or not it closes, up to [REDACTED].

**Enabling Statute and State Contracting:** The Green Bank is subject to the requirements outlined in Sections 16-245n of the Connecticut General Statutes and Borrower will be responsible for complying with applicable state contracting requirements.

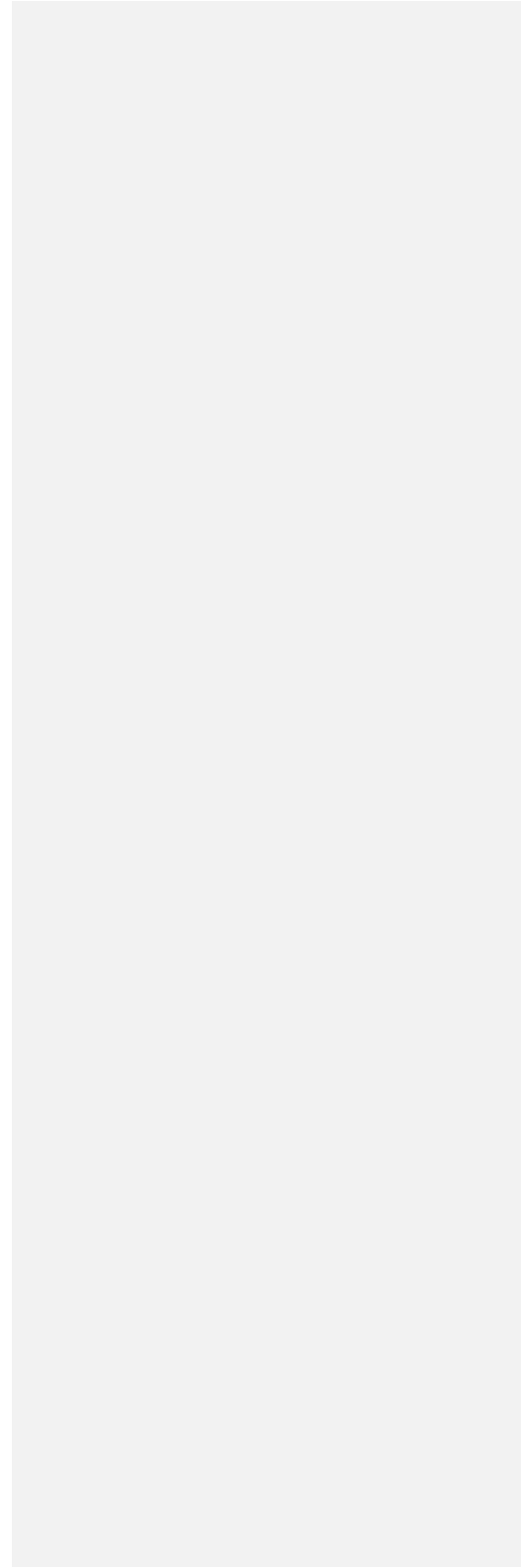
**Governing Law and Forum:** Connecticut

Appendix B: Skyview Ventures LLC Organization Chart and Summary  
Financial Statements

REDACTED



REDACTED







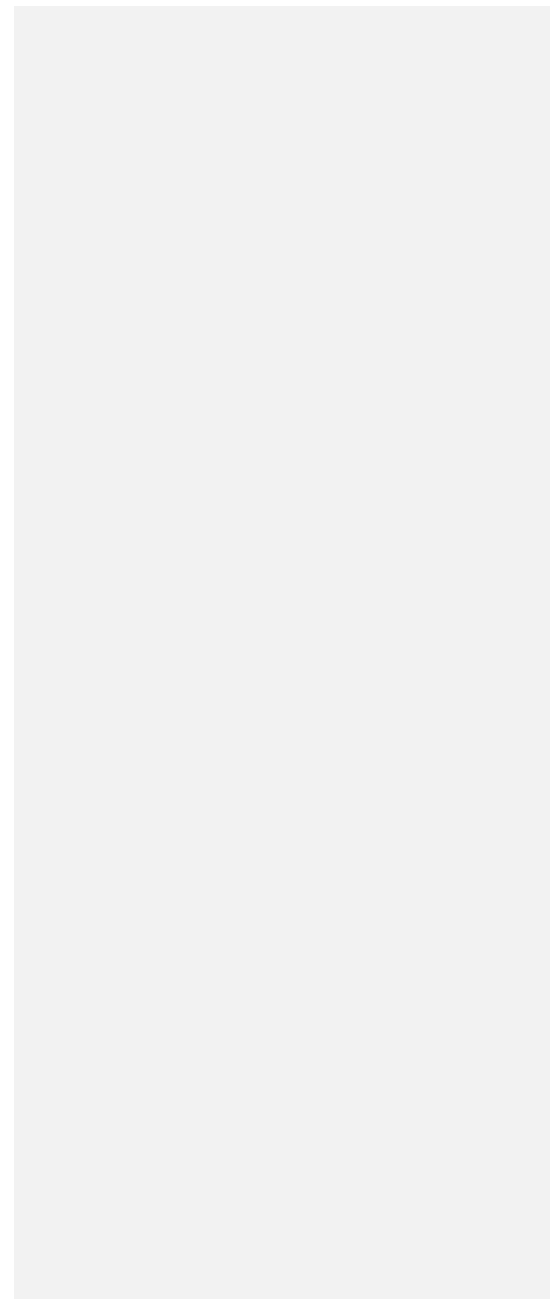
## Appendix D: Excerpt from Cash Flow Forecast Model

Cash Flow Forecast:

REDACTED

Term Loan Sculpted Amortization Schedule:

REDACTED



## Appendix E: Summary of Due Diligence

REDACTED

**Commented [MT3]:** Placeholder, to be updated once we have info from Skyview.



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## Connecticut Green Bank Solar PPA Program Updates

### Revised Due Diligence Package

February 27, 2020 (originally circulated: October 19, 2018, first revised July 9, 2019)

**Document Purpose:** This document contains background information and due diligence on the Connecticut Green Bank Solar PPA Program, in partnership with Inclusive Prosperity Capital, Inc. and other potential PPA sponsors through financing arrangements described herein. This information is provided to the Connecticut Green Bank Board of Directors for the purposes of reviewing and approving recommendations made by the staff of the Connecticut Green Bank.

In some cases, this package may contain among other things, trade secrets, and commercial or financial information given to the Connecticut Green Bank in confidence and should be excluded under C.G.S. §1-210(b) and §16-245n(D) from any public discourse under the Connecticut Freedom of Information Act. If such information is included in this package, it will be noted as confidential.

## Program Qualification Memo

**To:** Connecticut Green Bank ~~Board of Directors~~Deployment Committee

**From:** Bert Hunter, EVP & CIO; Mariana Cardenas, Consultant, Clean Energy Finance; Louise ~~Venables~~Della Pesca, Associate Director, Clean Energy Finance;

**Cc:** Bryan Garcia, President & CEO; Mackey Dykes, VP, C I &I; Brian Farnen, General Counsel

**Date:** February 27, 2020 (originally circulated October 19, 2018, first revised July 9, 2019)

**Re:** Connecticut Green Bank Solar PPA Program Updates

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### Purpose

The purpose of this memo is to request approval from the Connecticut Green Bank (“Green Bank”) Board of Directors (the “Board”) to confirm the authority of the Green Bank to participate in various financing and development roles with respect to commercial solar photovoltaic (“PV”) PPA projects within Connecticut – specifically, roles that the Green Bank has played at various times in the past and now would like to continue to operate across, and further expand on, for the benefit of both the Green Bank and the Connecticut market. In the past few years, as the commercial solar sector has evolved more generally, there have been new entrants into the commercial solar market in Connecticut who can contribute to financing and developing projects, including – just for the most “close to home” example – the Green Bank’s recent spin-out entity Inclusive Prosperity Capital, Inc. (“IPC”). IPC in turn, by means of its own growth strategy and partnership formations, is attracting additional financing and development players into Connecticut, such as Sunwealth Power, Inc. (“Sunwealth”), a Massachusetts-based commercial solar developer who can bring development capital, term financing, and tax equity to a diverse array of small projects with unconventional credit profiles<sup>1</sup>.

As the market develops and benefits from new players who add liquidity, expertise, and options for customers, the role of the Green Bank necessarily changes away from (a.) having to be a foundational player that sets and communicates out a specific financing structure in order to move projects forward and towards (b.) being a “bridge” player that leverages ratepayer capital through multiple structures and platforms in order to continue to drive access to capital and cost savings to customers, as the market builds momentum and scales towards fully private capital solutions. Importantly, the Green Bank continues to develop a strong pipeline of commercial solar PPA projects in this evolving market, due to institutional knowledge derived over time, as well as a network of relationships with developers, customers, and key local players who facilitate project origination.

With the ability to determine, based on project fundamentals, partner strengths, and market conditions, how the Green Bank ultimately participates in specific projects and fund structures (e.g. whether via (i.) providing development and construction capital, ~~or~~ (ii.) providing term financing in the form of either debt or equity to projects that are developed by CEFIA Holdings LLC (“Holdings”) and sold to a 3<sup>rd</sup> party platform (e.g. IPC or Sunwealth), or (iii.) providing construction and term financing to projects that are developed

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<sup>1</sup> <https://www.sunwealth.com/>

by 3<sup>rd</sup> parties), the Green Bank can optimize the use of ratepayer funds for leveraging private capital and developing quality projects to benefit local communities.

Staff is thus seeking approval to continue to develop and sell commercial solar PV PPA projects in Connecticut developed by Holdings, and to provide construction and term financing to projects developed by 3<sup>rd</sup> parties, and deploy capital in amounts in line with annual budgetary and financial planning limits but with an overall not-to-exceed amount across development, sponsor equity, and ~~term~~ debt investments of \$15-30 million, in form and structure in line with financing roles that the Green Bank has played in the past – specifically:

1. Development capital;
2. Construction financing;
3. Financing a 3<sup>rd</sup> party ownership platform (e.g. IPC or Sunwealth), in the form of sponsor equity and/or debt.

The participation and financing scenarios above give rise to various value streams and benefits to the Green Bank – for example, providing development capital to a project that is then purchased by a 3<sup>rd</sup>-party ownership platform gives the Green Bank an upfront income/liquidity boost, whereas providing term equity or debt provides a stream of cash flows over time. The following sections herein further detail those considerations, in addition to outlining parameters within which Green Bank staff will operate when determining how best to deploy capital for commercial solar PV projects in Connecticut.

### Background and Context

The Green Bank has successfully run two commercial solar PPA funds, CT Solar Lease 2 LLC (“SL2”) and CT Solar Lease 3 LLC (“SL3”), through which the Green Bank previously developed and now continues to own and operate projects via an ownership platform that was capitalized by a combination of ratepayer funds and 3<sup>rd</sup>-party capital providers. In addition, and most recently, the Green Bank entered into a sourcing and servicing arrangement with Onyx Renewable Partners (“Onyx”), under which the Green Bank has developed projects and then sold those projects into an Onyx-owned ownership platform. The following table summarizes the number and capacity of projects deployed into each of those fund structures, along with projects that are currently in development with the Green Bank but not yet designated for a final financing structure:

	# of Projects	Total Capacity (MW)
SL2 (Green Bank owned)	53	9.70
SL3 (Green Bank owned)	31	5.75
Onyx	14	9.41
Currently in development	4914	3,334.89

With the addition of new entrants and evolving market dynamics, as summarized in the “Purpose” section above, projects currently in development represent strategic assets that the Green Bank can monetize via different financing structures and ownership vehicles as the Green Bank deems to be in the best interest of both the Green Bank itself and the broader market, as dictated by project fundamentals, partner strengths, and market conditions. The ability to monetize projects without the restrictions of a single financing structure means that the Green Bank can continue to develop a pipeline of projects, to the

benefit of both the Green Bank and the development / financing ecosystem that we are working to support. It should also be noted that as the commercial solar PV market transitions from a net metering and ZREC-LREC incentive policy, that the Green Bank having a financing product in place will assist the market in its transition to a tariff-based structure.

From both the customer and project origination perspective, given the Green Bank's strong presence in the Connecticut commercial-scale solar market, it makes sense for the Green Bank to continue to originate commercial PPA projects in partnership with our existing, local developer base, as well as new market entrants attracted by the Green Bank's ability to accelerate growth in this market. This "distributed" partnership approach, with local developers at the top of the funnel, larger developers and financiers at the bottom of the funnel, and the Green Bank intermediating in the middle, results in both localized economic development and – via competition – better terms for customers resulting in lower energy costs.

### Parameters for Financing 3<sup>rd</sup>-Party Ownership Platforms

Green Bank staff requests approval for the Green Bank to provide construction and term financing to support Connecticut projects developed and sold by Holdings under 3<sup>rd</sup>-party owned financing structures, and to support Connecticut projects developed by 3<sup>rd</sup> parties. An example would be the Green Bank providing term debt into a fund structure where that Green Bank debt sits alongside (or as back-leverage to) 3<sup>rd</sup>-party sponsor equity, 3<sup>rd</sup>-party tax equity, and potentially other 3<sup>rd</sup>-party debt in a financing vehicle that is owned by a 3<sup>rd</sup>-party (e.g. IPC or Sunwealth).

Green Bank staff has expertise in developing PPA projects, selling them to third party owners and subsequently structuring term financing, as it is the type of investment that the Green Bank has done before (most specifically via the term debt authority embedded in our Onyx Agreement, further discussed below), and the Green Bank's position in this role represents a stepping stone in further market evolution towards fully private capital solutions (i.e. the market has evolved to the point where 3<sup>rd</sup>-party sponsors are willing to develop and own the types of underserved and unconventional credits typically served by the Green Bank, but the fund-level economics still need a boost from the Green Bank, in the form of term debt for example, in order to deliver project savings to the customers).

Capital deployed under this construct would be subject to the following terms:

- **Investment Type:** Debt (likely) or Equity (opportunistically);
- **Investment Return Profile:** An investment IRR not less than Green Bank return requirements across comparable investments (e.g. a C-PACE equivalent note yielding a C-PACE equivalent rate) nor more than a private investment in a similar facility given the risk-return expectations of the project portfolio;
- **Investment Risk Profile:** Underlying security, cashflow coverage, collateral, or otherwise equivalent to Green Bank risk requirements across comparable investments (e.g. a C-PACE equivalent IRR and structure carrying a C-PACE equivalent [over]collateral profile);
- **Investment Amount:** Anticipated to constitute no less than \$5-1 million of the total not-to-exceed amount of \$15-30 million in new money authorized herein, subject to budget constraints.

Specifically for investments in 3<sup>rd</sup>-party owned financing structures containing PPA projects not developed by Green Bank:

- **Investment Approval:** Investments below \$0.5 million would be subject to Staff level approval, investments between \$0.5 million and \$2.5 million would be subject to approval by Deployment Committee and investments greater than \$2.5 million would be approved by the Board.
- **Counterparty Selection:** Recipients of Green Bank capital would be pre-qualified as financing partners, via a public request for proposals. Refer to Exhibit B for a list of proposed pre-qualification criteria for such financing partners.

### **Parameters for Development Capital and Construction Financing**

Whether the Green Bank is developing a project and has not yet committed to the final financing/ownership structure for that project, or whether the Green Bank is providing development capital and construction financing to a project with the either the intent of selling that project fully to a 3rd-party owned financing structure or rolling the construction financing into a term loan, the Green Bank may find it beneficial (both with respect to its own target returns and/or liquidity needs and broader market development) to deploy capital on a short-term basis in order to develop a project to the point that it can be monetized one way or another.

Green Bank staff therefore requests continuing authorization, pursuant to the Board approvals most recently granted at the Board's ~~August 21, 2018~~ July 18, 2019 meeting, for the Green Bank to maintain its ability to deploy short-term capital for development and/or construction purposes. An example of how this works in practice is the relationship between the Green Bank and Onyx, who have enjoyed a sourcing and servicing partnership since February 2017. Under the Commercial Solar Project Sourcing & Servicing Agreement (the "Onyx Agreement"), the Green Bank originates ~~s~~ commercial PPA projects and provides continuing C-PACE related administrative services for C-PACE secured PPA projects. ~~The Onyx Agreement was set to expire on September 30, 2018; however, due to its success, the parties are in the process of extending it by an additional year, to September 30, 2019. Under this extension, Onyx will finance commercial PPA projects originated by the Green Bank that are greater than 500kW AC and meet a defined hurdle IRR in exchange for agreed upon sourcing and referral fees.~~ By way of reference, the Green Bank has, to date, earned more than \$400,000 in sourcing fees associated with the first 9 MW+ of projects originated under the Onyx Agreement.

Under this approach, projects that do not fall into the Onyx ownership structure will instead be sold to another 3<sup>rd</sup>-party ownership structure, as contemplated to be the case with new market entrants such as IPC and Sunwealth.

Capital deployed under this construct would be subject to the following terms:

- **Investment Type:** Debt (opportunistically) or Equity (likely);
- **Investment Return Profile:** Market returns based upon underlying project cash flows, with an expectation for a full, short-term return of capital plus either a reasonable developer markup or a sourcing fee / rights to residual cash flows depending on partnership structure;
- **Investment Risk Profile:** Standard development risk (principally, for projects of this size / credit quality, a lack of potential term financing) to be mitigated either through an internal Green Bank

solution for unconventional credits, or via a predetermined credit box with one or more long-term 3<sup>rd</sup>-party owners;

- **Investment Amount:** Anticipated to constitute approximately \$15 million in revolving funds, out of the total not-to-exceed amount of \$15-30 million in new money authorized herein, subject to budget constraints.

Specifically for investments in 3<sup>rd</sup>-party owned financing structures containing PPA projects not developed by Green Bank:

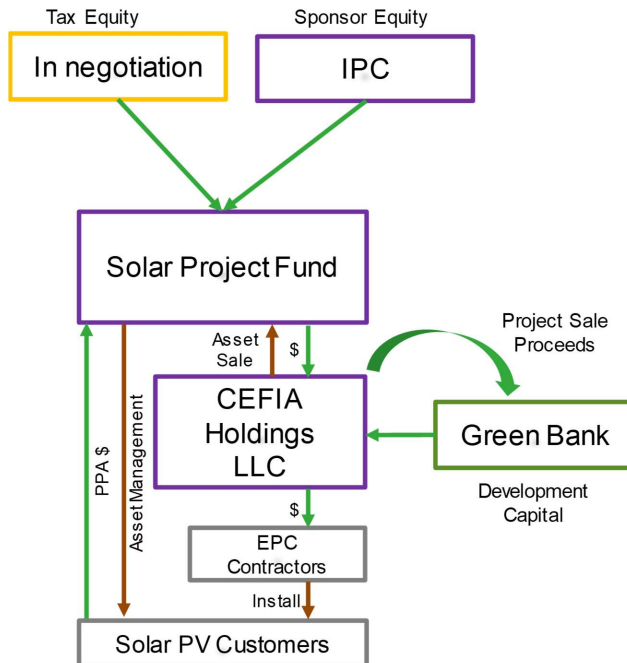
- **Investment Approval:** Investments below \$0.5 million would be subject to Staff level approval, investments between \$0.5 million and \$2.5 million would be subject to approval by Deployment Committee and investments greater than \$2.5 million would be approved by the Board.
- **Counterparty Selection:** Recipients of Green Bank capital would be pre-qualified as financing partners, via a public request for proposals. Refer to Exhibit B for a list of proposed pre-qualification criteria for such financing partners.

## Green Bank Participation and Financial Benefit

### Structure Diagram

The diagram below, taken from the August 21, 2018 memo to the Board of Directors, represents the world in the instance where the Green Bank provides development financing and actively develops a project itself. To avoid confusion, rather than providing multiple diagrams, the authorizations requested in this memo would also allow the Green Bank to provide financing to a 3<sup>rd</sup>-party owner (in the case below, IPC) via, for example, debt directly to the solar project fund or back-leverage to the project sponsor.





### Ratepayer Payback

*How much clean energy is being produced (i.e. kWh over the projects lifetime) from the program versus the dollars of ratepayer funds at risk?*

At a level of \$10 million of term capital deployed, expected generation would be approximately 240 GWh over 25 years from an anticipated 8 MW of solar PV systems,<sup>2</sup> resulting in 240 kWh deployed per ratepayer dollar at risk.

### Financial Statements

*How is the program investment accounted for on the balance sheet and profit and loss statements?*

The capital deployed by the Green Bank as authorized herein will result in a decrease in Unrestricted Cash on the Green Bank's balance sheet and, depending on the use of funds, an equivalent increase in either a) short- or long-term promissory notes receivable (likely), b) the creation of a development asset at the level of CEFIA Holdings (likely), or c) the creation of a long-term asset through the Green Bank's ownership interest (sponsor equity) in a solar project holding company (only if determined to be needed due to unexpected market conditions).

### Risk to Ratepayer Funds

*What is the maximum risk exposure of ratepayer funds for the program?*

<sup>2</sup> Assuming \$10 million makes up 50% of a project's capital stack, with an FMV of \$2.50/W and average project yields of 1,200 kWh / kW

The maximum risk exposure of ratepayer funds for the program is a not-to-exceed amount of \$15-30 million (subject to budget constraints), which may be development capital, construction or term debt capital to a 3<sup>rd</sup>-party solar project owner, or sponsor equity for a retained project.

### Target Market

*Who are the end-users of the engagement?*

Commercial, municipal, and institutional PPA off-takers within the state of Connecticut, particularly of benefit to nonprofits and unrated small and medium-sized businesses and corporates that might otherwise struggle to access solar PV in the current market environment.

### Program Partners

Key external players in the Green Bank's ongoing commercial solar PPA program could include:

- IPC
- Other PPA Sponsors including Sunwealth
- Tax equity providers such as Enhanced Capital ("Enhanced")

High-level overviews of IPC and Sunwealth follow in Exhibit A to this memo, as does a representative term sheet for tax equity from Enhanced. As a reminder, staff is not suggesting to the Board that these are the only potential partners under this program as it evolves. Rather, these types of partners provide the capital, expertise, and flexibility that the Green Bank sees as necessary components to continue to accelerate the deployment of this evolving but still underserved sector of the market.

### Program Risks and Mitigation Strategies

The risks of structuring a commercial solar PPA financing program are well understood by the Green Bank given our deep experience operating in the market.

#### Market and Origination Risk:

Risks:

- Commodity prices / utility rate changes making PPA rates charged a less viable option for repayment of capital providers
- Green Bank is unable to originate enough qualified projects to meet targets (either internal or under partnership agreements)
- If the pricing of future PPAs developed by the Green Bank is materially different from existing projects due to partner return requirements, the market may not be able to support pricing
- Public policy changes (e.g., from net metering to a tariff) that have an adverse impact on energy savings to end-use customers

Mitigation Strategy:

- Flexible approach to capitalizing these projects such that there are multiple potential partners available for term financing (including IPC), with the option for the Green Bank to place long-term debt (in addition to providing development capital) to ensure return hurdles are hit while retaining attractive pricing for customers

- Advocating appropriate tariff rates before PURA for behind the meter solar PV that balance ratepayer impact with end-use customer savings

#### **Structural risk:**

Risks:

- Principally, Green Bank debt that is placed into a comingled portfolio of solar PPA projects across a 3<sup>rd</sup>-party owner's portfolio faces repayment risk that is not mitigated by Green Bank underwriting criteria due to exposure to projects that are outside of Green Bank's control

Mitigation Strategy:

- Green Bank will have either (i) segregated Connecticut project cash flow waterfall or alternatively (ii) a distinct tracking of the revenues, expenses and cash flows of Connecticut projects under the program satisfactory to Green Bank
- Green Bank will require appropriate minimum debt service coverage ratios of base case projections to mitigate risk of over leveraging and ensuring debt service requirements can be met
- Green Bank will require appropriate sponsor guarantees and reserves as necessary and maintain appropriate rights with respect to the underlying project collateral and/or the sponsor's equity interests therein

#### **Credit Risk:**

Risk:

- Underlying off-takers fail to pay or default under the terms of the PPA

Mitigation Strategy:

- C-PACE as a security mechanism for unrated entities
- Well delineated credit requirements (for rated and unrated) requiring investor oversight
- Amongst other potential credit enhancements, requiring prepayments during tax credit recapture periods for weaker credits, as necessary

#### **System Performance Risk:**

Risk:

- Solar PV systems supporting the solar PPA do not meet production expectations, the value proposition to commercial entities will decline, reducing energy savings

Mitigation Strategy:

- Strict EPC approval requirements ensuring EPCs have adequate experience, insurance, and finances to undertake project in a safe and effective manner, as well as ongoing oversight
- Enhanced commissioning protocols

- List of approved technologies, actively maintained/updated ensuring that technologies used are the most efficient, cost effective, and that manufacturers with the highest likelihood of being able to stand by their warranties are used
- Extensive diligence process for projects developed by 3<sup>rd</sup> parties.

#### **Development Risk:**

Risk:

- Projects developed via CEFA Holdings fail to reach completion

Mitigation Strategy:

- Continuation of existing Green Bank best practices with respect to project pricing, early fatal flaw analysis, rigorous negotiation of documentation, and contractor oversight
- Expansion of potential term financing solutions, including both competitive and strategic selections as authorized herein, to ensure all projects developed by the Green Bank find a long-term home with reasonable economic return for the Green Bank's invested resources and risk taken

## Resolutions

**WHEREAS**, when the Green Bank Board of Directors (the “Board of Directors”) passed resolutions at its July 18, 2019 meeting approving 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, for development capital; construction financing; financing one or more 3rd-party ownership platforms, in the form of sponsor equity and/or debt; and selling solar PPA projects developed by CEFIA Holdings LLC (“Holdings”) to third parties, the resolutions restricted projects to those developed by Holdings;

**WHEREAS**, the Connecticut Green Bank (“Green Bank”) is uniquely positioned to continue developing a commercial solar PPA pipeline through local contractors in response to continued demand from commercial-scale off-takers;

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**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**, there is still demonstrated need for flexible capital to continue expanding access to financing for commercial-scale customers looking to access solar via a PPA, while both bolstering project returns for investors and enhancing project savings profiles for customers; and

**WHEREAS**, the Green Bank is implementing a Sustainability Plan that invests in various clean energy projects and products to generate a return to support its sustainability in the coming years.

**NOW**, therefore be it:

**RESOLVED**, that the Deployment Committee recommends that thatthe— Board of Directors approves funding, in a total not-to-exceed amount of \$45-30 million in new money (representing an increase of the previously approved not to exceed amount of \$15 million), subject to budget constraints, for the continued development by Green Bank, and financing of development by 3<sup>rd</sup> parties. 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;
3. Financing one or more 3<sup>rd</sup>-party ownership platforms, in the form of sponsor equity and/or debt; and-
4. Sell solar PPA projects developed by Holdings to third parties.

**RESOLVED**, ~~that the President of Green Bank; and any other duly authorized officer of Green Bank, is authorized to execute and deliver, any contract or other legal instrument necessary to continue to develop and finance commercial PPA projects on such terms and conditions as are materially consistent with the memorandum submitted to the Green Bank Board on October 19, 2018~~ July 9, 2019; and

~~**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.~~

Submitted by: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; ~~Laura Fidao, Senior Manager~~Louise Della Pesca, Associate Director, Clean Energy Finance

**Exhibit A**  
**Potential Commercial Solar PPA Program Partners**

**IPC**



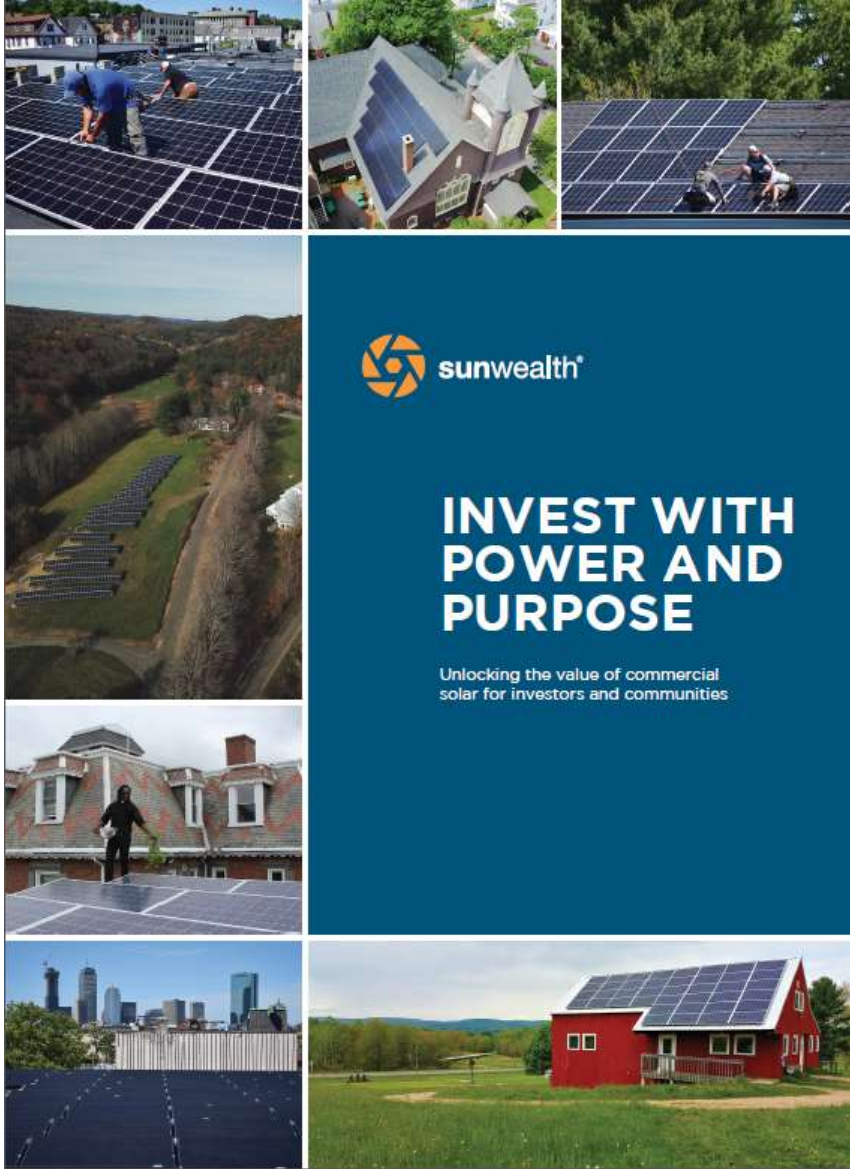
**INCLUSIVE**  
PROSPERITY CAPITAL

**A CONNECTICUT GREEN BANK SPIN-OUT**

SCALING COMMUNITY DEVELOPMENT IN UNDERSERVED MARKETS  
THROUGH CLEAN ENERGY AND SOCIAL IMPACT INVESTMENTS

**REDACTED**

Sunwealth





## PURPOSEFUL INVESTMENT

Sunwealth's Solar Impact Fund brings together a diverse community of partners - including local solar developers, community groups, local businesses, and impact investors - committed to investing in a renewable energy future that benefits all of us.



### DIVERSE PROJECTS

We work with strong, local developers to pinpoint projects across our communities and design solar systems that deliver significant energy savings to power purchasers.



### STRONG UNDERWRITING

Proprietary review process ensures each project meets the highest quality standards. We are investing for the long haul in projects and partners that will be here for decades to come.



### SOLAR IMPACT FUND

A robust, diverse and transparent pool of high-performing commercial solar projects designed to deliver social, environmental and financial returns to investors and communities.

## POWERFUL RETURNS

Sunwealth generates powerful returns - for our communities, our local economy, our environment and our investors. We are reimagining the bottom line, building a portfolio that is diverse, transparent, inclusive and resilient.



### COMMUNITIES

Solar access and energy savings.



### LOCAL ECONOMY

Jobs and income for local solar developers and installers.



### ENVIRONMENT

Carbon reduction.



### INVESTORS

Fixed income from an alternative asset.

## TWO WAYS TO INVEST

All Solar Impact Fund investors get the benefit of a simple, transparent investment in a diversified portfolio of solar projects owned and managed by Sunwealth. **Bond investors** receive fixed income returns over a 10-year term, with quarterly distributions of principal and interest. **Eligible tax equity investors** receive valuable tax benefits and preferred cash distributions over a 5-year term.



### BOND FUND

Invest in a diverse portfolio of solar projects and receive predictable returns over a 10-year term through quarterly distributions of principal and interest.

### TAX EQUITY

Turn a tax liability into an investment opportunity - invest in solar and receive tax credits, deductions and preferred cash return.

**Enhanced  
(Representative Term Sheet)**

Based on the information provided by [Sponsor Entity], a [State] limited liability company (“[Abbreviated name]”) and recent conversations regarding the Projects referred to below, Enhanced Capital Tax Credit Finance, LLC (“**Enhanced Capital**”) is pleased to propose the following preliminary terms and conditions for a tax equity investment in connection with the Projects (defined below).

This term sheet (the “**Term Sheet**”) does not constitute an offer or a solicitation of an offer to purchase or sell, nor is it a binding commitment by any party to purchase or sell, any equity or other interest in any of the Companies that own the Projects (defined below). The terms and conditions set forth in this Term Sheet are based on the information provided by [Sponsor Entity] as of the date hereof, without regard to the accuracy of the information provided, and remain subject to, among other things, completion of underwriting and due diligence, satisfactory documentation, investment committee approval by Investor (defined below) and review by Investor’s legal and tax counsel.

REDACTED

If the terms herein are generally acceptable to you, please sign below and return by [Date]. This Term Sheet and the proposals contained herein will expire at 5:00 pm EST on [Date] if Investor fails to receive Sponsor’s executed signature to this Term Sheet. Upon acceptance, we consider all communications in connection with this Term Sheet and the matters contemplated hereby to be confidential to the extent permitted under the Connecticut Freedom of Information Act. Any violation of this condition shall be considered detrimental and may subject the signor and related parties to damages to be determined by a court of competent jurisdiction. Notwithstanding anything set forth elsewhere in this Term Sheet, the Expenses provision will survive any termination of this Term Sheet for any reason.

Sincerely,

ENHANCED CAPITAL TAX CREDIT FINANCE, LLC

**Exhibit B**

**Proposed Pre-Qualification Criteria for Recipients of Green Bank Capital for Investments  
in PPA Projects Developed by Third Parties**

- At least five years operating history including at least one year operating history in the state of Connecticut
- Either: at least 1 MW capacity of commercial solar assets under management; or: at least 5 MW capacity of commercial solar assets installed
- No instance of default on a power purchase agreement
- Established program of asset management, to include: contracted operations and maintenance services and ability to obtain production data on a monthly basis
- Acceptance of non-negotiable requirement for Green Bank to secure loans by a first priority lien on assets against which loans are advanced
- Acceptance of non-negotiable requirement that proceeds of loans will be used for the development and longer term financing and refinancing of clean energy projects situated in the state of Connecticut

## Goodwill of Western and Norther Connecticut: Six Solar Installations

<b>Address</b>	Various, See Table 1	
<b>Owner</b>	Goodwill of Western and Northern Connecticut, Inc.	
<b>Proposed Assessment</b>	Total: \$2,274,197, See Table 1 for Project Breakdowns	
<b>Term (years)</b>	5	
<b>Term Remaining (months)</b>	Pending construction completion	
<b>Annual Interest Rate</b>	5.0%	
<b>Annual C-PACE Assessment</b>	Total: \$518,870, See Table 1 for Project Breakdowns	
<b>Savings-to-Investment Ratio</b>	Total: 1.13, See Table 1 for Project Breakdowns	
<b>Average DSCR over Term</b>	██████████	
<b>Lien-to-Value, Loan-to-Value</b>	██	
<b>Projected Energy Savings (mmBTU)</b>	Year 1	Total: 4,788, See Table 1 for Project Breakdowns
	Over EUL	Total: 47,351, See Table 1 for Project Breakdowns
<b>Estimated Cost Savings (incl. ZRECs and tax benefits)</b>	Year 1	Total: \$269,808, See Table 1 for Project Breakdowns
	Over EUL	Total: \$2,930,316, See Table 1 for Project Breakdowns
<b>Objective Function</b>	10.6 kBTU / ratepayer dollar at risk, see Table 1 for Project Breakdown	
<b>Location</b>	Six locations: New Milford, Brookfield, Bridgeport, Monroe, Oxford and Hartford	
<b>Type of Building</b>	Retail, Office	
<b>Year of Build</b>	See Table 1 for Property Breakdowns	
<b>Building Size (sf)</b>	See Table 1 for Property Breakdowns	
<b>Year Acquired by Owner</b>	Between 2001 and 2016, See Table 1 for Property Breakdowns	
<b>As-Complete Appraised Value</b>	██	
<b>Mortgage Outstanding</b>	████████████████████	
<b>Mortgage Lender Consent</b>	██████████	
<b>Proposed Project Description</b>	1,173 kW of rooftop solar installed across six Goodwill locations	
<b>Est. Date of Construction Completion</b>	Pending closing	
<b>Current Status</b>	Awaiting Board of Directors Approval	
<b>Energy Contractor</b>	██████████	



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Rocky Hill, CT 06067

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Stamford, CT 06901