DEPLOYMENT COMMITTEE OF THE
CONNECTICUT GREEN BANK
Regular Meeting Minutes

Wednesday, November 17, 2021
2:00 p.m. – 3:00 p.m.

A regular meeting of the Deployment Committee of the **Connecticut Green Bank (the "Green Bank")** was held on November 17, 2021.

Due to COVID-19, all participants joined via the conference call.

Committee Members Present: Binu Chandy (DECD), Dominick Grant, Victoria Hackett (DEEP), Matt Ranelli, Lonnie Reed, Sarah Sanders

Committee Members Absent: None

Staff Attending: Sergio Carrillo, Shawn Cartelli, Louise Della Pesca, Brian Farnen, Bryan Garcia, Sara Harari, Bert Hunter, Cheryl Lumpkin, Jane Murphy, Ariel Schneider, Eric Shrago, Dan Smith, Michael Yu

Others present: Joe Buonannata from IPC, Giulia Bambara, Claire Sickinger

1. Call to Order

- Victoria Hackett called the meeting to order at 2:03 pm.

2. Public Comments

- No public comments.

3. **Consent Agenda**

<u>Resolution #1</u>

Motion to approve the minutes of the Deployment Committee meeting for September 22, 2021.

Upon a motion made by Matthew Ranelli and seconded by Binu Chandy, the Deployment Committee voted to approve Resolution 1. None opposed. Sarah Sanders and Dominick Grant abstained. Motion approved.

4. Incentive Programs Updates and Recommendations

a. Smart-E Loan – ARRA Restructuring from Loan Loss Reserves to Interest Rate Buydowns

- Sergio Carrillo introduced Joe Buonannata, who then summarized the Smart-E Loan program and the proposed ARRA restructuring. ARRA funds support a subset of Smart-E loans. To date, Smart-E has deployed about $7.5 million in ARRA funds across approximately 2,800 loans, and now requests to replace about $800,000 of ARRA funds in Loan Loss Reserve accounts with CT Green Bank funds. The ARRA funds would then be deployed through IRBs in an upcoming campaign. This has been done previously in 2017 when approximately $4.9 million were reallocated from LLRs to Smart-E IRBs and then replaced by funds from the CT Green Bank.
    - Bryan Garcia asked for clarification about how lenders claim the first 1.5% of losses and that the Green Bank is not providing the loans but is guaranteeing them. Bert Hunter answered that contrary to how some loan program are structured such that state or utility energy efficiency programs were issuing loans directly to homeowners, they needed a constant source of capital – either from ratepayers or by somehow monetizing existing loans (which was difficult and/or expensive to do given the small scope of most programs) or additional funds from ratepayers (which was unpredictable) So the Green Bank thought of using local banks and credit unions to provide loans for these customers with the Green Bank providing a credit enhancement. The special arrangement made was to be for the Green Bank to provide a second loan loss reserve for those lenders such that the lenders would be protected from exceptional losses, up to 7.5% after the first 1.5% of risk retained by the lenders.
    - Victoria Hackett asked what the disbursement is of people among varying income levels. Joe Buonannata answered that the program does not collect income data on the borrowers; however, the credit score data shows that a majority of Smart-E borrowers have higher credit. The program team is focused on reaching more LMI borrowers through contractors, lenders and other channel partners. Additional data with regards to income levels would be provided to the Deployment Committee as a follow-up.
    - Victoria Hackett asked if the debt-to-ratio is limiting participation in the program and if any funding can be leveraged to make it easier for low-income people to participate. Bert Hunter added in the statistics on the approval rates, which are generally in the 75%+ range, and because the program deals with regulated financial institutions, there are certain requirements that the lenders have meet to protect the lenders. However, there are requests for exceptions to the agreed credit guidelines from time to time because local lenders do want to help the community. So occasionally the banks request to exceed the debt-to-income standard. At that point, more information is requested as to the basis for the waiver, and Bert Hunter responded that he cannot recall any instance when such a request has been denied because they are typically well-founded. Bryan Garcia added that the Green Bank does include a breakdown of programmatic distribution into vulnerable communities in its annual comprehensive financial report.
    - Matthew Ranelli asked for clarification regarding any reporting requirements for the ARRA funds. Jane Murphy answered that quarterly reporting is done to DEEP so this would be included in that reporting.
    - Binu Chandy asked about the percentage of vulnerable communities, is it the full universal set of communities or is it how many have received of Smart-E loans. Eric Shrago answered that the data shown is the percentage of loans that went to vulnerable communities, but he can gather the information for the overall percentage and send it as a follow up.

b. Smart-E Loan – Expansion to include Environmental Infrastructure Measures

- Joe Buonannata summarized that at the next meeting in February 2022 there will be a more formal proposal to expand the list of Smart-E loan measures to include the other categories that are now part of the Green Bank's expanded scope. A team was assembled to evaluate which new measures can and should be included, and which Environmental Infrastructure categories do the measures tie to. As well, which technical standards that are required to be met and which contractors should be contacted to be included. More work is being prepared and done in preparation for this more formal presentation.

5. Investment Updates and Recommendations

a. Skyview Ventures – Additional Investment

- Louise Della Pesca summarized the Skyview Facility background and proposed an amendment to the $7 million financial facility to a $10 million commitment which could also include energy storage solution projects. Skyview Ventures has a pipeline of ESS projects in Connecticut and, as a result of the incentive program which will become available in January, the Green Bank is looking to expand its commitment and support of this facility. She reviewed the facility structure and highlighted that the Green Bank is in a first priority position, secured by the cash flow streams from the various projects, including ZREC payments and (for ESS projects) incentive payments from the utilities. She continued to explain their current portfolio and pipeline projects. Louise Della Pesca reviewed the risks and mitigants, though everything seems comfortable due to the rigorous testing and diligence done.
    - Matthew Ranelli asked if there are any conflicts of interest if the Green Bank is providing funds to the financing facility for a program that the Green Bank is also administrating. Bert Hunter responded that the investments team has not made it a practice of stepping over the line of approving incentive projects, and that an effort can be made to formally recognize that firewall in the Green Bank's governance documents. However, for ESS projects, the approval of incentives will be very fact-based as part of an objective process. Either a project qualifies based on the criteria established by PURA, the utilities and the Green Bank or it does not. Sergio Carrillo confirmed that the process is going to be very objective, and that it is not that the project itself will be approved but that the upfront incentive is approved. The Green Bank will have no influence as to whether the project is approved at the EDC level. Brian Farnen responded that he sees it as a programmatic approach and the final battery storage program should be brought to the Board for approval, just to be sure everyone is on the same page and consistent with our governance protocol.
    - Matthew Ranelli also asked if there is private funding available to do what Skyview Ventures is doing, in order to verify that that the Green Bank is not crowding out any other companies looking to do the same thing. Louise Della Pesca answered that the Green Bank isn't formally looking into the market and comparing itself to who is providing similar programs, and equally that means that the Green Bank is not deliberately looking to be cheaper than the private sector or undercut others. The Green Bank receives feedback from Skyview Ventures, and they are keen to keep using the facility, as they have faith that the Green Bank is knowledgeable about the assets being financed and can deploy capital quickly due to the smooth diligence process established. Bert Hunter added that there are discussions in place for opportunities for the Green Bank to make available capital for the battery storage program for LMI communities

through the capital solutions program, and that staff is trying to encourage more financing in those areas.

- Victoria Hackett asked why there needs to be an out-of-market solution in addition to the market-based solution, and what specific goal is being achieved compared to running it through an RFP process. She also expressed concern that this approach may make it less competitive for others. Bert Hunter answered that there is the incentive program, which is totally separate. The incentives cover a portion of the capital costs depending on how they are installed, but that still leaves a capital gap, which may be made up by the equipment owner, or may be funded by debt. So the capital side is what is being presented, not the incentive side.

<u>Resolution #2</u>

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 has established a working relationship with a private sector Connecticut-based solar developer, Skyview Ventures LLC ("Skyview"), and through that relationship the Green Bank has an opportunity to deploy capital for the development of clean energy in Connecticut, and specifically toward commercial solar PPA projects developed by Skyview in Connecticut ("Skyview PPA Projects");

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;

WHEREAS, the Board approved at its meeting held on March 25, 2020 to approve a senior secured loan facility ("Original Term Loan" transaction in an amount not to exceed $2.3M as a Strategic Selection and Award pursuant to the Green Bank Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Original Term Loan transaction;

WHEREAS, the Board approved at its meeting held on April 24, 2020 to expand the Original Term Loan transaction to an amount not to exceed $3.5M (the "Modified Term Loan");

WHEREAS, the Board approved at its meeting held on October 23, 2020 to expand the Modified Term Loan transaction to an amount not to exceed $7M (the "Existing Term Loan");

WHEREAS, 70% of the available Existing Term Loan has already been advanced to finance Skyview PPA Projects;

WHEREAS, the Green Bank supports the goal of increasing the deployment of energy storage in the state, while ensuring that resilience and environmental justice objectives are being met;

WHEREAS, in light of the financial incentives available (starting 2022) for the deployment of energy storage solutions ("ESS") projects, Skyview is developing a pipeline of ESS projects in CT; and

WHEREAS, given the rate of utilization of the Existing Term Loan by Skyview for Skyview PPA Projects, and the opportunity to develop ESS projects, following diligence of

Green Bank staff, Green Bank staff proposes increasing the Existing Term Loan size and amending its terms to allow for ESS project financing, and requests that the Deployment Committee recommend staff's request to the Board for approval.

NOW, therefore be it:

RESOLVED, that the Green Bank Deployment Committee (the "Deployment Committee") recommends to the Board for its approval staff's request to amend and restate the Board's existing approval of the Existing Term Loan transaction as described in the Project Qualification Memo submitted by the staff to the Deployment Committee and dated June 18, 2021 (the "Memorandum") to include ESS projects to be qualified for future advances within the increased limit of $10,000,000 on terms and conditions substantially consistent with those described in the Memorandum as a Strategic Selection and Award pursuant to the Green Bank Operating Procedures Section XII given the special capabilities, uniqueness, strategic importance, urgency and timeliness, and multi-phase characteristics of the Existing Term Loan transaction.

Upon a motion made by Lonnie Reed and seconded by Binu Chandy, the Deployment Committee voted to approve Resolution 2. None opposed and Matthew Ranelli abstained. Motion approved.

6. Financing Program Updates and Recommendations
a. Small Business Energy Advantage (SBEA) Extension – Update

- Bert Hunter summarized the SBEA loan history and extension, which will be formally presented at a future Board meeting once the final details are able to be locked in with the program parties. The Green Bank is looking to renew the 3-year agreement which expires at the end of December with Eversource and Amalgamated Bank for another 3 years with some changes. He then explained the Master Purchase and Servicing Agreement structure. The Green Bank is looking to increase its percentage share of the loan purchases from 10% to 20%, increasing the maximum term length to allow for longer payback measures, and to increase access to capital for all eligible borrowers, in particular state and municipal projects.

7. Environmental Infrastructure Programs Updates

- Bryan Garcia quickly summarized the progress to integrating the scope expansion. There is a lens of justice, equity, diversity, and inclusion and climate change resiliency being held against all areas of environmental infrastructure as the discussions with stakeholders proceed. He summarized the initial findings of the land conservation discussions including current and future state goals. There will be more to update at the Board meeting in December.

8. Other Business

- None

9. Adjourn

Upon a motion made by Matthew Ranelli and seconded by Victoria Hackett, the Deployment Committee Meeting adjourned at 3:19 pm.

Respectfully submitted,

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Victoria Hackett, Vice Chairperson