CONNECTICUT GREEN BANK

Deployment Committee

Meeting Date

February 23, 2022

Deployment Committee

Vickie Hackett
Deputy Commissioner
Department of Energy and Environmental Protection

Matt Ranelli
Partner
Shipman & Goodwin

Lonnie Reed
Board Chair

Shawn Wooden – Designee, Sarah Sanders
Treasurer
State of Connecticut

Binu Chandy
Deputy Director
DECD

Dominick Grant
Dirt Partners

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CONNECTICUT
GREEN BANK

February 16, 2022

Dear Connecticut Green Bank Deployment Committee:

We have a meeting of the Deployment Committee scheduled on Wednesday, February 23, 2022 from 2:00 to 3:00 p.m.

Please take note that this will be an online meeting only.

On the agenda we have the following items:

- **Consent Agenda** – approval of the meeting minutes for the meeting held on November 17, 2021; and

- **Incentive Programs Updates and Recommendations** – a request to restructure the remaining American Recovery and Reinvestment Act ("ARRA") funds from Loan Loss Reserves ("LLR") to Interest Rate Buydowns ("IRB") for Smart-E Loan financed "clean energy" projects [Note – memo is coming by COB on Friday, February 18, 2022], and a request to expand the Smart-E Loan program to include "environmental infrastructure" measures per CGS 16-245n.

If you have any questions, comments or concerns, please feel free to contact me at any time. Looking forward to being with you all online next week.

Have a great weekend.

Sincerely,

Bryan Garcia
President and CEO

AGENDA

Deployment Committee of the
Connecticut Green Bank
75 Charter Oak Avenue
Hartford, CT 06106

Wednesday, February 23, 2022
2:00-3:00 p.m.

Dial (571) 317-3122
Access Code: 817-957-325

Staff Invited: Sergio Carrillo, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, and Eric Shrago

1. Call to order

2. Public Comments – 5 minutes

3. Approval of Meeting Minutes – 5 minutes

4. Incentive Programs Updates and Recommendations – 45 minutes

    a. Smart-E Loan – ARRA Restructuring from Loan Loss Reserves to Interest Rate Buydowns
    b. Smart-E Loan – Expansion to include Environment Infrastructure Measures

5. Other Business – 5 minutes

6. Adjourn

Join the meeting online at https://global.gotomeeting.com/join/817957325

Or call in using your telephone:
Dial (571) 317-3122
Access Code: 817-957-325

Next Regular Meeting: Wednesday, May 25, 2022 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Connecticut Green Bank, 75 Charter Oak Avenue, Hartford

RESOLUTIONS

Deployment Committee of the
Connecticut Green Bank
75 Charter Oak Avenue
Hartford, CT 06106

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Access Code: 817-957-325

Staff Invited: Sergio Carrillo, Mackey Dykes, Brian Farnen, Bryan Garcia, Bert Hunter, Jane Murphy, and Eric Shrago

1. Call to order

2. Public Comments – 5 minutes

3. Approval of Meeting Minutes – 5 minutes

Resolution #1

Motion to approve the meeting minutes of the Deployment Committee meeting for November 17, 2021.

4. Incentive Programs Updates and Recommendations – 45 minutes

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

Resolution #2

WHEREAS, at a Special Meeting of the Connecticut Green Bank's ("Green Bank") Deployment Committee ("the Deployment Committee") held on November 30, 2012, the Deployment Committee passed **resolutions** to approve the Smart-E Loan Program (originally called the "CT HELPs Program");

WHEREAS, in February of 2013, the Connecticut Department of Energy and Environmental Protection released the Comprehensive Energy Strategy ("CES") for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program;

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

WHEREAS, in October of 2013, the Green Bank's Board of Directors ("Board") approved full use of $8,361,620 of American Recovery and Reinvestment Act State Energy Program ("ARRA-SEP") funds across a mix of Loan Loss Reserves, Interest Rate Buydowns, and Third Party Insurance Products – credit enhancements for the Green Bank's newly developed residential financing products;

WHEREAS, in February of 2017, the Deployment Committee recommended approval of the Green Bank's request to repurpose ARRA-SEP funds across loan loss reserves and interest rate buydowns ("Credit Enhancements") for the Green Bank's Cozy Home Loans, Smart-E Loans, CT Solar Lease, CT Solar Loan, and LIME Loan programs (the "Programs") in amounts materially consistent with the Memorandum presented to the Deployment Committee dated February 21, 2017;

WHEREAS, in February of 2017, the Deployment Committee recommended approval of replacing ARRA-SEP funds with Green Bank balance sheet funds for certain program Loan Loss Reserves in amounts materially consistent with the Memorandum presented to the Deployment Committee dated February 21, 2017;

WHEREAS, staff request that $300,000 of the $600,000 in ARRA-SEP funds currently allocated to loan loss reserves be repurposed with Green Bank balance sheet funds and that ARRA-SEP funds be reallocated to Smart-E loan loss reserves and for future interest rate buydowns, as more fully explained in the memorandum to the Deployment Committee dated February 18, 2022.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends approval of payment of approximately $164,927.82 in ARRA-SEP funds to Smart-E lenders for loan losses.

RESOLVED, that the Deployment Committee recommends approval of repurposing $300,000 in ARRA-SEP funds currently allocated to the LIME Loan program's loan loss reserves with Green Bank funds.

RESOLVED, that the Deployment Committee recommends reallocating ARRA-SEP funds from various programs to the Smart-E Loan program to be deployed and expended through loan loss reserves and interest rate buydowns that support the state's clean energy policy, as more fully explained in the memorandum to the Deployment Committee dated February 18, 2022.

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

<u>**Resolution #3**</u>

WHEREAS, at a Special Meeting of the Connecticut Green Bank's (Green Bank) Deployment Committee ("the Deployment Committee") held on November 30, 2012, the Deployment Committee passed **resolutions** to approve the Smart-E Loan Program (originally called the "CT HELPs Program");

WHEREAS, in February of 2013, the Connecticut Department of Energy and Environmental Protection released the Comprehensive Energy Strategy ("CES") for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program;

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, currently operating statewide, with nine local lenders providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES;

WHEREAS, in March of 2014, the Deployment Committee approved revisions to the Smart-E lender term sheet regarding program loan amounts and loan duration, and certain incremental program upgrades from Smart-E's first 15 months;

WHEREAS, in October of 2015 and January 2017, the Board of Directors (Board) approved an alternate underwriting term sheet which expanded the Smart-E Loan applicant pool beyond the standard underwriting criteria, so as to include credit-challenged borrowers;

WHEREAS, program staff request that the term sheet be further enhanced to allow for the addition of environmental infrastructure measures to the list of "eligible improvements" and to increase the maximum loan amount from $45,000 to $75,000 to accommodate larger projects and to raise the Green Bank approval threshold from $40,000 to $50,000 as more fully explained in a memorandum to the Board dated February 16, 2022.

NOW, therefore be it:

RESOLVED, that the Deployment Committee approves amending the Smart-E "eligible improvements" category to include residential "environmental infrastructure" improvements as defined in Public Act 21-115; and

RESOLVED, that the Deployment Committee approves amending the Smart-E maximum loan amount from $45,000 to $75,000 and raising the Green Bank approval threshold from $40,000 to $50,000.

5. Other Business – 5 minutes

6. Adjourn

Join the meeting online at https://global.gotomeeting.com/join/817957325

Or call in using your telephone:
Dial (571) 317-3122
Access Code: 817-957-325

Next Regular Meeting: Wednesday, May 25, 2022 from 2:00-3:00 p.m.
Colonel Albert Pope Board Room at the
Connecticut Green Bank, 75 Charter Oak Avenue, Hartford

ANNOUNCEMENTS

- **Mute Microphone** – in order to prevent background noise that disturbs the meeting, if you aren't talking, please mute your microphone or phone.

- **Chat Box** – if you aren't being heard, please use the chat box to raise your hand and ask a question.

- **Recording Meeting** – we continue to record and post the board meetings.

- **State Your Name** – for those talking, please state your name for the record.

Deployment Committee Meeting

February 23, 2022

Deployment Committee

Agenda Item #1

Call to Order

Deployment Committee

Agenda Item #2

Public Comments

Deployment Committee
Agenda Item #3
Approval of Meeting Minutes

Deployment Committee

Agenda Item #4a

Incentive Programs

Smart-E Loan – ARRA Restructuring

Smart-E Loan
Overview

Who is involved?
- Administered by CT Green Bank in partnership with **nine** local lenders and a network of **350+** contractors

What can you finance?
- 40+ energy improvements
  - Solar
  - Battery Storage
  - Health & Safety
  - Home performance
  - HVAC
  - EV chargers

How much can you borrow?
- $500 - $40,000

What are the rates and terms?
- 5 years – 4.49%
- 7 years – 4.99%
- 10 years – 5.99%
- 12 years – 6.99%

Property eligibility?
- Owner-occupied
- 1-4 unit, residential

Other key points?
- Available statewide – not tied to a utility
- No money down, fixed monthly pmts, no prepmt penalty, no contractor fees
- Up to 25% of the loan can be used for "other/related" measures

Smart-E Loan
Borrower Eligibility

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Standard Term Sheet*

- 640+ credit score
- 45% debt-to-income ratio maximum

Credit Challenged Term Sheet*

- 580+ credit score
- 50% debt-to-income ratio maximum
- DTI screen waived for 680+ credit scores

www.ctgreenbank.com/smarte

***Waivers considered "case by case"**

Smart-E Loan
Program to Date

CONNECTICUT GREEN BANK

Launched: May 2013

Total Closed Loans: 5,944

Total Capital Deployed: $90M

Average Loan Amount: $15,222

Average Credit Score: 744

Average Debt-to-Income: 18%

Delinquency Rate: 0.8%

Default Rate: 0.1%

Charge Off Rate: 1.4%

Request

- **Allocate** $214,547 in ARRA-SEP interest and **reallocate** $17,193 in ARRA-SEP funds **from** Cozy Home Loan LLR **to** Smart-E LLR, then make loan loss reserve payments to three Smart-E lenders.

- **Replace** the $300,000 in ARRA-SEP funds currently allocated to the LIME Loan's LLR with Green Bank balance sheet funds.

- **Reallocate**:
  - $311,546 in ARRA-SEP funds **from** the CT Solar Loan's LLR and IRB
  - $300,000 in ARRA-SEP funds **from** the LIME Loan's LLR
  - $11,600 in ARRA-SEP funds **from** the Cozy Home Loan's IRB

  - **to** Smart-E IRBs ($616,416) and
  - **to** Smart-E LLR ($6,730).

Summary of Proposed Changes

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP LLR Allocation	ARRA-SEP IRB Allocation	Additional Green Bank LLR Funds Required
Cozy Home Loan	$28,793	$17,193	$11,600	
Reallocated	***($28,793)***	***($17,193)***	***($11,600)***	
Smart-E Loan	$7,564,227		$7,564,227	
Reallocated	***$640,339***	***$23,923***	***$616,416***	
Used			***$7,422,427***	
Committed		***$164,928***	***$134,941***	
Solar Loan	$468,600		$157,054	n.a.
Used			***$157,054***	
Reallocated	***($311,546)***			
Solar Lease				
C4C LIME Loan	$300,000			$300,000
Reallocated	***($300,000)***			
Interest	$214,547			
Smart-E Loan		$214,547		
Used		***$73,542***		
Total	**$8,576,167**	**$238,470**	**$8,337,697**	**$300,000**

Resolution #2

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends approval of payment of approximately $164,927.82 in ARRA-SEP funds to Smart-E lenders for loan losses.

RESOLVED, that the Deployment Committee recommends approval of repurposing $300,000 in ARRA-SEP funds currently allocated to the LIME Loan program's loan loss reserves with Green Bank funds.

RESOLVED, that the Deployment Committee recommends reallocating ARRA-SEP funds from various programs to the Smart-E Loan program to be deployed and expended through loan loss reserves and interest rate buydowns that support the state's clean energy policy, as more fully explained in the memorandum to the Deployment Committee dated February 18, 2022.

Deployment Committee

Agenda Item #4b

Incentive Programs

Smart-E Loan – Environmental Infrastructure

Request

Seeking programmatic approval from the Deployment Committee to amend the Smart-E Loan program's underwriting term sheet to:

1) Allow for the addition of environmental infrastructure measures to the list of "eligible improvements"

Eligible Improvements	1) Residential "Clean Energy" improvements as defined by Connecticut General Statutes Section 16-245n Sec. 99, 2) Listed as categorically excluded from the National Environmental Protection Act and eligible activities under the American Recovery and Reinvestment Act of 2009 through the State Energy Program, **3) Residential "Environmental Infrastructure" improvements as defined in Connecticut General Statute 16-245n, and** 4) Recommended by a Program Contractor.

2) Increase the maximum loan amount from \$45,000 to \$75,000 to accommodate larger projects

Loan Amounts	Preferred Program Range: \$500 (minimum) to \$50,000 (maximum) Lenders can offer loan amounts higher than \$50,000 (up to \$75,000) subject to Green Bank approval.

Smart-E and Environmental Infrastructure

CONNECTICUT GREEN BANK

An internal working group has formed to assess possible new measures following the process below:

- **New Measures** → **Environmental Infrastructure Category**
- **Technical Requirements** → **Research industry Standards**
- **New Contractors** → **Outreach to Trade Associations**
- **Licensing and Insurance Requirements** → **Ongoing Collaboration with DCP**
- **CT Green Bank Inspections** → **Project and Inspector Qualifications**

New measures will be subject to approval by the Green Bank’s Senior Team and **no ratepayer (i.e., CEF) or RGGI funds will be used towards Smart-E Loans for environmental infrastructure projects.**

Resolution #3

CONNECTICUT GREEN BANK

NOW, therefore be it:

RESOLVED, that the Deployment Committee approves amending the Smart-E "eligible improvements" category to include residential "environmental infrastructure" improvements as defined in Public Act 21-115; and

RESOLVED, that the Deployment Committee approves amending the Smart-E maximum loan amount from $45,000 to $75,000 and raising the Green Bank approval threshold from $40,000 to $50,000.

Deployment Committee

Agenda Item #5

Other Business

Deployment Committee

Agenda Item #6

Adjourn

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**

Resolution #1

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,

____
Victoria Hackett, Vice Chairperson

75 Charter Oak Avenue, Suite 1 - 103, Hartford, CT 06106
T 860.563.0015
ctgreenbank.com

CONNECTICUT GREEN BANK

Memo

To: Connecticut Green Bank Deployment Committee

From: Bert Hunter, EVP and CIO; Sergio Carrillo, Director of Incentive Programs; Joe Buonannata, Senior Manager, Operations – Inclusive Prosperity Capital

CC: Bryan Garcia, President & CEO, CT Green Bank; Jane Murphy, EVP Finance & Administration, CT Green Bank; Kerry O'Neill, CEO - IPC

Date: February 18, 2022

Re: ARRA-SEP Update and Proposal to Reallocate Funds to Smart-E Loan Program

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Purpose

The purpose of this memorandum is to request approval from the Connecticut Green Bank ("Green Bank") Deployment Committee to reallocate American Recovery and Reinvestment Act State Energy Program ("ARRA-SEP") funds out of Loan Loss Reserves ("LLR") for various Green Bank residential programs and into the Smart-E Loan program, following a similar process previously approved by the Deployment Committee and Board of Directors ("Board") in 2017.

This request is for approval for staff to 1) use ARRA-SEP funds to make loan loss reserve payments to Smart-E lenders, 2) repurpose ARRA-SEP funds that are currently allocated for the Cozy Home Loan, CT Solar Loan, and Low Income Multifamily Energy ("LIME") Loan programs to Smart-E LLR and interest rate buydowns ("IRBs") to support the state's clean energy goals, and 3) add $300,000 in Green Bank balance sheet funds to the LIME program's loan loss reserve.

Background

The Deployment Committee and Board previously approved $8,361,620 of ARRA-SEP funds to be used as credit enhancements allocated across five residential programs: Cozy Home Loan, CT Solar Loan, CT Solar Lease, Smart-E Loan, and the Low-Income Multifamily Energy ("LIME") Loan.[1]

Product	Not-to-Exceed ARRA-SEP Amount	Loan Loss Reserve Allocation	IRB Allocation	IRB Expended

[1] Approvals from FY 2012; FY2013; October 18, 2013; adjustments as part of budget approvals in FY 2015, FY 2016 and FY 2017.

Cozy Home Loan	$28,793	$17,193	$11,600	$11,600
Smart-E Loan	$3,422,584	$1,110,608	$2,311,976	$1,007,893[2]
Solar Loan	$468,600	$300,000	$168,600	$168,600
Solar Lease	$3,816,643	$3,500,000	$316,643	$0
C4C LIME Loan	$625,000	$625,000	$0	$0
Total	**$8,361,620**	**$5,552,801**	**$2,808,819**	**$1,188,093**

The ARRA-SEP allocations were amended via a memo to the Deployment Committee dated February 21, 2017 (included here as **Attachment A**) and to the Board dated March 3, 2017. The adjustment was intended to move ARRA-SEP funds from certain programs' loan loss reserves to Smart-E IRBs where they could be deployed into clean energy projects. The loan loss reserve funds were then replaced with Green Bank balance sheet funds. The approved adjustment was:

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP Loan Loss Reserve Allocation	ARRA-SEP IRB Allocation	Green Bank LLR Funds Required
Cozy Home Loan	$28,793	$17,193	$11,600[3]	$0
Smart-E Loan	$7,564,227	$0	$7,564,227	$1,110,608
Solar Loan	$468,600	$300,000	$168,600	
Solar Lease				$3,500,000
C4C LIME Loan	$300,000	$300,000	$0	$325,000
Total	**$8,361,620**	**$617,193**	**$7,744,427**	**$4,935,608**

The ARRA-SEP funds allocated to loan loss reserves have accrued $214,547.04 in interest to date.

Green Bank Accounting department has provided the following details related to the ARRA-SEP funds.

ARRA-SEP reconciliation as of January 31, 2022:

- **Original Funds**: $8,361,620.00

[2] As of 12/1/2016.
[3] Returned to Green Bank by lender

- **Interest Income:** $212,723.57
- **Interest Income (CSLN1):** $1,823.47
- **Total Program Funds (original + interest):** $8,576,167.04

Deployed & Committed ARRA-SEP Funds:

- **CT Solar Loan IRBs Paid:** $157,053.71
- **Smart-E IRBs Paid:** $7,422,427.15
- **(NOTE: Smart-E IRBs Committed** (payment pending lender invoices)**:** $134,941.31**)**
- **Smart-E LLR Payments to (2) Lenders for Losses**: $73,541.87
- **Smart-E LLR Committed Payments to (3) Lenders** (payment pending lender invoices)**:** $164,927.82 – *SUBJECT TO COMMITTEE APPROVAL*

Allocated ARRA-SEP Funds in Loan Loss Reserve Accounts:

- **CT Solar Loan**: $300,000
- **LIME Loan**: $300,000

Which, when accounting for the interest and use of funds to date is summarized in the following table:

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP Loan Loss Reserve Allocation	ARRA-SEP IRB Allocation	Green Bank LLR Funds Required
Cozy Home Loan	$28,793	$17,193	$11,600[4]	$0
Smart-E Loan	$7,564,227		$7,564,227	$1,110,608
Used			***$7,422,427***	
Solar Loan	$468,600	$300,000	$168,600	
Used			***$157,054***	
Solar Lease				$3,500,000
C4C LIME Loan	$300,000	$300,000	$0	$325,000
Interest	$214,547			
Smart-E Loan		$214,547		
Used		***$73,542***		
Total	**$8,576,167**	**$831,740**	**$7,744,427**	**$4,935,608**

Request

[4] Returned to Green Bank by lender

The Deployment Committee's approval is requested to allow staff to make the following (3) adjustments:

- **Allocate $214,547 in ARRA-SEP interest and $17,193 in ARRA-SEP funds from Cozy Home Loan LLR to Smart-E LLR and make loan loss reserve payments to three Smart-E lenders.** This LLR payment amount is currently estimated to be $164,927.82, though it is subject to change slightly pending confirmation from the lenders.
- **Replace the $300,000 in ARRA-SEP funds currently allocated to the LIME Loan's LLR with Green Bank balance sheet funds**. These $300,000 in Green Bank balance sheet funds would be in addition to the $325,000 approved by the Deployment Committee and Board in 2017, for a total of $625,000 in the program's loan loss reserve.
- **Reallocate $311,546 in ARRA-SEP funds from the CT Solar Loan's LLR and IRB, and $300,000 in ARRA-SEP funds from the LIME Loan's LLR, and $11,600 in ARRA-SEP funds from the Cozy Home Loan's IRB to Smart-E IRBs ($616,416) and to Smart-E LLR ($6,730)**. CT Solar Loan no longer requires their $300,000 loan loss reserve because the loans to Solar Mosaic and The Reinvestment Fund have been repaid, and LIME's LLR would be replaced with Green Bank balance sheet funds. The ARRA-SEP funds would be deployed through Smart-E IRBs supporting the state's clean energy goals.

The proposed changes are summarized here:

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP LLR Allocation	ARRA-SEP IRB Allocation	Green Bank LLR Funds Required
Cozy Home Loan	$28,793	$17,193	$11,600	
Reallocated	***($28,793)***	***($17,193)***	***($11,600)***	
Smart-E Loan	$7,564,227		$7,564,227	
Reallocated	***$640,339***	***$23,923***	***$616,416***	
Used			***$7,422,427***	
Committed		***$164,928***	***$134,941***	
Solar Loan	$468,600		$157,054	
Used			***$157,054***	
Reallocated	***($311,546)***			
Solar Lease				
C4C LIME Loan	$300,000			$300,000[5]
Reallocated	***($300,000)***			
Interest	$214,547			
Smart-E Loan		$214,547		
Used		***$73,542***		
Total	**$8,576,167**	**$238,470**	**$8,337,697**	**$300,000**

Anticipated Use of Remaining ARRA-SEP Funds

[5] Approval needed to allocate Green Bank funds to LIME LLR (Green Bank allocation to Smart-E Loan LLR and CT Solar Lease LLR previously approved by the Deployment Committee and Board).

Green Bank proposes deploying the remaining ARRA-SEP funds through the Smart-E Loan program in two ways:

Loan Loss Reserve Payment

Approximately $164,927.82 of the reallocation will be used to fund loan loss reserve payments to three Smart-E lenders with loans in default or charge off status. As of December 31, 2021, these three lenders each have cumulative amounts past due that exceed their obligation to cover a percentage of initial losses, making them eligible to recover a portion of funds from their loss reserve.

Although several other participating lenders have losses, none have enough principal outstanding to surpass their initial obligation threshold, therefore making them ineligible to recover funds from their Smart-E loss reserve at this time.

To date, $73,541.87 in ARRA-SEP funds have been paid to two Smart-E lenders for a total of 10 defaulted Smart-E Loans. Any lenders that may become eligible to recover funds from the loss reserve in the future will be paid with Green Bank funds.

Interest Rate Buydowns

The repurposed ARRA-SEP funds will be used for Smart-E interest rate buydowns supporting the state's clean energy policy, with details to be developed by the program team, reviewed and approved by the Green Bank's Senior Staff, and reported to the Deployment Committee at a future meeting. The ARRA-SEP funds would be expended in accordance with the Memorandum of Agreement between DEEP and the Green Bank (as amended – the "DEEP MOA")) to support the state's clean energy goals.

To date, $7,557,368.46 in ARRA-SEP funds have been deployed or committed through Smart-E IRBs across 2,983 loans and equaling $49,423,042.98 in private capital deployed.

ARRA-SEP funds will **not** be used to fund any projects related to environmental infrastructure, as the guidelines for use of these federal monies are explicit with regards to qualifying measures.

Financial Statements

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

Similar to the 2017 process, the proposed replacement of $300,000 in ARRA-SEP funds with ratepayer funds in the loan loss reserves for the LIME Loan program will require the Green

Bank to reclassify these ratepayer funds out of the “unrestricted” cash category of its balance sheet to the “restricted” cash category (i.e., held for loan loss reserves).

Should a future determination be made that certain loans supported by this loan loss reserve are uncollectable, Green Bank will reimburse the financial institution originating the loan based on program guidelines. The restricted cash balance (i.e., the loan loss reserve) will be reduced by the amount of the reimbursement and the expense of such reimbursement will be recorded in the Green Bank’s statement of revenues and expenses.

Resolution

WHEREAS, at a Special Meeting of the Connecticut Green Bank’s (“Green Bank”) Deployment Committee (“the Deployment Committee”) held on November 30, 2012, the Deployment Committee passed **resolutions** to approve the Smart-E Loan Program (originally called the “CT HELPs Program”);

WHEREAS, in February of 2013, the Connecticut Department of Energy and Environmental Protection released the Comprehensive Energy Strategy (“CES”) for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program;

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

WHEREAS, in October of 2013, the Green Bank’s Board of Directors (“Board”) approved full use of $8,361,620 of American Recovery and Reinvestment Act State Energy Program (“ARRA-SEP”) funds across a mix of Loan Loss Reserves, Interest Rate Buydowns, and Third Party Insurance Products – credit enhancements for the Green Bank’s newly developed residential financing products;

WHEREAS, in February of 2017, the Deployment Committee recommended approval of the Green Bank’s request to repurpose ARRA-SEP funds across loan loss reserves and interest rate buydowns (“Credit Enhancements”) for the Green Bank’s Cozy Home Loans, Smart-E Loans, CT Solar Lease, CT Solar Loan, and LIME Loan programs (the “Programs”) in amounts materially consistent with the Memorandum presented to the Deployment Committee dated February 21, 2017;

WHEREAS, in February of 2017, the Deployment Committee recommended approval of replacing ARRA-SEP funds with Green Bank balance sheet funds for certain program Loan Loss Reserves in amounts materially consistent with the Memorandum presented to the Deployment Committee dated February 21, 2017;

WHEREAS, staff request that $300,000 of the $600,000 in ARRA-SEP funds currently allocated to loan loss reserves be repurposed with Green Bank balance sheet funds and that ARRA-SEP funds be reallocated to Smart-E loan loss reserves and for future interest rate buydowns, as more fully explained in the memorandum to the Deployment Committee dated February 18, 2022.

NOW, therefore be it:

RESOLVED, that the Deployment Committee recommends approval of payment of approximately $164,927.82 in ARRA-SEP funds to Smart-E lenders for loan losses.

RESOLVED, that the Deployment Committee recommends approval of repurposing $300,000 in ARRA-SEP funds currently allocated to the LIME Loan program's loan loss reserves with Green Bank funds.

RESOLVED, that the Deployment Committee recommends reallocating ARRA-SEP funds from various programs to the Smart-E Loan program to be deployed and expended through loan loss reserves and interest rate buydowns that support the state's clean energy policy, as more fully explained in the memorandum to the Deployment Committee dated February 18, 2022.

Submitted by: Bryan Garcia, President and CEO, Bert Hunter, EVP and CIO, Sergio Garcia, Director of Incentive Programs.

Attachment A

Memo

To: Connecticut Green Bank Deployment Committee

From: Kerry O'Neill, Vice President, Residential Programs

CC: Bryan Garcia, President and CEO; Bert Hunter, EVP and CIO; Brian Farnen, General Counsel and CLO; Eric Shrago, Director of Operations; George Bellas, VP Finance and Administration

Date: February 21, 2017

Re: ARRA-SEP Update and Proposal to Reallocate Funds to Smart-E Loan Program

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Purpose

The purpose of this memorandum is to request approval from the Connecticut Green Bank ("Green Bank") Deployment Committee to reallocate American Recovery and Reinvestment Act State Energy Program ("ARRA-SEP") funds out of Loan Loss Reserves ("LLR") in several residential products and into Smart-E Interest Rate Buydowns ("IRB"). The ARRA-SEP LLRs would be replaced with Green Bank funds. The goals of reallocating ARRA funds into IRBs is to expend these funds more quickly while catalyzing new markets to support the Governor's Climate Change Council's efforts to reduce GHG emissions. Given the excellent portfolio performance we've seen to date – there have been no draws on loss reserves as of yet.

Background:

The Deployment Committee and the Board of Directors have previously approved $8,361,620 of ARRA-SEP funds to be used as credit enhancements allocated across five residential programs: Cozy Home Loan, CT Solar Loan, CT Solar Lease, Smart-E Loan, and Capital for Change ("C4C") Low Income Multifamily Energy ("LIME") Loan programs[6]. The current not-to-exceed allocations by product are:

Product	Not-to-Exceed ARRA-SEP Amount	Loan Loss Reserve Allocation	IRB Allocation	IRB Expended
Cozy Home Loan	$28,793	$17,193	$11,600	$11,600
Smart-E Loan	$3,422,584	$1,110,608	$2,311,976	$1,007,893[7]
Solar Loan	$468,600	$300,000	$168,600	$168,600
Solar Lease	$3,816,643	$3,500,000	$316,643	$0
C4C LIME Loan	$625,000	$625,000	$0	$0

[6] Approvals from FY 2012; FY2013; October 18, 2013; adjustments as part of budget approvals in FY 2015, FY 2016 and FY 2017.

[7] As of 12/1/2016.

Total	**$8,361,620**	**$5,552,801**	**$2,808,819**	**$1,188,093**

Request:

Staff proposes to:

- Replace the Smart-E LLR with Green Bank funds and use the ARRA funds for Smart-E IRBs;
- Replace the CT Solar Lease LLR with Green Bank funds and reallocate all CT Solar Lease ARRA funds to Smart-E IRBs; and
- Replace a portion of LIME loss reserve ($325,000 that is approved but not yet committed) with Green Bank funds and reallocate those funds to Smart-E IRBs.

Staff will be pursuing more aggressive IRB special offers in support of the upcoming Comprehensive Energy Strategy and the Governor's Council on Climate Change that references the need for electrification of heating and cooling, deployment of renewable heating and cooling, and promotion of zero emission vehicles (where we can use ARRA funds for IRBs for EV rechargers attached to residential homes). Along with the Smart-E Loan, through the Residential Solar Investment Program (RSIP), staff is also partnering with the utilities on near-net zero home energy retrofits.

The resulting **ARRA-SEP** allocations by product and use of Green Bank funds, if approved, will be:

Programs	Not-to-Exceed ARRA-SEP Amount	ARRA-SEP Loan Loss Reserve Allocation	ARRA-SEP IRB Allocation	Green Bank LLR Funds Required
Cozy Home Loan	$28,793	$17,193	$11,600	$0
Smart-E Loan	$7,564,227	$0	$7,564,227	$1,110,608
Solar Loan	$468,600	$300,000	$168,600	
Solar Lease				$3,500,000
C4C LIME Loan	$300,000	$300,000	$0	$325,000
Total	**$8,361,620**	**$617,193**	**$7,744,427**	**$4,935,608**

Accordingly, staff seeks approval to use **$4,935,608 of non-ARRA Green Bank funds for loan loss reserves** in the following amount by product (as shown in the chart above):

- $1,110,608 for Smart-E (in addition to the already approved $759,276 in the FY17 budget for a total of $1,869,884)
- $3,500,000 for CT Solar Lease
- $325,000 for LIME Loan

Financial Statements

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

The proposed allocation of $4,935,608 in ratepayer monies to fund loan loss reserves for these programs in conjunction with the modification of existing legal agreements between Green Bank and external program partners to reflect the substitution of ratepayer monies for ARRA monies will allow Green Bank to classify these monies out of the “unrestricted” cash category of its balance sheet to the “restricted” cash category. ARRA monies will continue to be classified as restricted cash due to the constraints placed on their use by the federal government.

This accounting treatment is supported by GASB 34 which allows for the classification of assets and net position as restricted when constraints are placed on their use in the following instances:

- “Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments.”
- “Imposed by law through constitutional provisions or enabling legislation.”

“The basic concept is that restrictions are not unilaterally established by the reporting government itself and cannot be removed without the consent of those imposing restrictions or formal due process.”

Source: GASB Implementation Guide No. 2015-1, Section 7.24.1

Should a future determination be made that certain loans supported by these loan loss reserves are uncollectable, Green Bank will reimburse the financial institution originating the loan based on program guidelines. The restricted cash balance will be reduced by the amount of the reimbursement and the expense of such reimbursement will be recorded in the Green Bank’s statement of revenues and expenses.

Resolution

WHEREAS, in July of 2011, the Connecticut General Assembly passed Public Act 11-80, “AN ACT CONCERNING THE ESTABLISHMENT OF THE DEPARTMENT OF ENERGY AND ENVIRONMENTAL PROTECTION AND PLANNING FOR CONNECTICUT’S ENERGY FUTURE,” which created the Connecticut Green Bank (the “Green Bank”) to develop programs to finance and otherwise support clean energy investment in residential projects per the definition of clean energy in CGS Section 16-245n(a);

WHEREAS, in February of 2013, the DEEP released the Comprehensive Energy Strategy (“CES”) for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program;

WHEREAS, the Governor’s Council on Climate Change has identified the need to support renewable heating and cooling and electric vehicles to support the implementation of the Global Warming Solutions Act goal of reducing 80 percent of greenhouse gas emissions from a baseline year of 2001 by the year 2050;

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, currently operating statewide, with 10 credit unions and community banks and one community development financial institution providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES. The Smart-E Loan currently includes $4.3 million of credit enhancement, including both repurposed ARRA-SEP and Green Bank funds, to attract nearly $30 million of private investment from local financial institutions.

NOW, therefore be it:

RESOLVED, that the Green Bank Deployment Committee (the "Committee") recommends approval of the request to allow for all current and future community banks, credit unions and community development financial institutions to utilize the Smart-E Loan Program's alternative underwriting option, consistent with the memorandum submitted to the Board dated October 9, 2015 and as modified by the memorandum submitted to the Board January 13, 2017.

RESOLVED, that the Committee recommends funding for loan loss reserves and interest rate buydowns ("Credit Enhancements") through the use of repurposed American Recovery and Reinvestment Act State Energy Program ("ARRA-SEP") program funds be approved for Green Bank's Cozy Home Loans, Smart-E Loans, CT Solar Loan, and LIME Loan programs (the "Programs") in amounts materially consistent with the Memorandum presented to the Committee dated February 21, 2017.

RESOLVED, that the Committee recommends that ARRA-SEP funds are approved for the Programs in the not-to-exceed set forth below and that the President of the Green Bank; and any other duly authorized officer of the Green Bank, is authorized to use their best discretion to utilize the most effective use of the entirety of the ARRA-SEP Credit Enhancements in amounts not to exceed:

a. $28,793 for Cozy Home Loans;
b. $7,564,227 for Smart-E Loans;
c. $468,600 for CT Solar Loan; and
d. $300,000 for LIME Loan.

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the Smart-E Loan Program in the not-to-exceed amount of $1,869,884 including $1,110,608 of additional funds and $759,276 of already approved FY17 budgeted funds.

RESOLVED, that the Committee recommend to the Board of Directors that the Green Bank funds be approved for Loan Loss Reserves for the CT Solar Lease Program in the not-to-exceed amount of $3,500,000.

RESOLVED, that the Committee recommends that Green Bank funds are approved for Loan Loss Reserves for the LIME Loan Program in the not-to-exceed amount of $325,000.

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M E M O

To: Connecticut Green Bank Deployment Committee

From: Joe Buonannata, Senior Manager, Operations – Inclusive Prosperity Capital

CC: Kerry O'Neill, CEO (IPC); Connecticut Green Bank Senior Staff

Date: February 16, 2022

Re: Smart-E Loan Program Underwriting Term Sheet Enhancements

Purpose

The purpose of this memorandum is to request programmatic approval from the Connecticut Green Bank ("Green Bank") Deployment Committee to amend the Smart-E Loan program's underwriting term sheet to 1) allow for the addition of environmental infrastructure measures to the list of "eligible improvements" and 2) increase the maximum loan amount from $45,000 to $75,000 to accommodate larger projects, including solar, battery storage and ground source heat pumps. **Attachment A** of this memo includes the term sheet with proposed tracked changes.

Background

The Smart-E Loan Program was created to use low-cost and flexible local lenders as a tool to increase the number of homeowners participating in clean energy household improvements consistent with the Green Bank's Comprehensive Plan, the State of Connecticut's Comprehensive Energy Strategy, and the Connecticut Energy Efficiency Fund's Conservation and Load Management Plan. Originally approved by the Green Bank Deployment Committee on November 30, 2012 as the CT Home Energy Loan Program ("CT HELPs"), the Smart-E Loan Program was launched in May 2013 and reached statewide coverage in November 2013. At the time, the Green Bank identified a lack of capital available to homeowners at interest rates that fairly compensate the lender for risk and for maturities that would be more aligned with the expected useful lives of the clean energy improvements. The result was a program that provides long-term (up to 20 years), low-cost (4.49% to 6.99%) financing to single-family homeowners implementing over 40 possible energy efficiency and renewable energy improvement projects by creating a Loan Loss Reserve ("LLR") to leverage unsecured loan capacity from local lending institutions. The program is also contractor-friendly, with a straightforward process and no contractor fees (as contrasted with the high fee offerings that require contractors to pay a "participation" fee to get access to capital as well as "buydown fees" to lower the cost of capital for their customers).

The original lending program was bifurcated into Class A loans (corresponding to a minimum FICO score of 680, a maximum debt-to-income ratio of 45%, a 1.5% retained loss on behalf of the lending institution, and 7.5% loan value credit toward the LLR) and Class B loans (corresponding to a FICO score range of 640 – 679, a maximum debt-to-income ratio of 45%, a 3.0% retained loss on behalf of the lending institution, and 15.0% loan value credit toward the LLR). The targeted loan mix within the original program was at least 80% Class A Loans and not more than 20% Class B Loans.

The program was amended via a memorandum to the Green Bank Board of Directors dated October 9, 2015, in which an alternative underwriting option was introduced[1]. The alternative underwriting option is a variation of the Smart-E Loan Program, intended to expand the Smart-E Loan applicant pool beyond the standard underwriting criteria, so as to include credit-challenged borrowers who are still considered a low default risk. The alternative underwrite allows for more flexibility with respect to FICO and Debt-to-Income ("DTI") criteria, while still providing borrowers the traditional benefits of Smart-E loans in the form of low-cost, long-term financing options.

The program was further amended via a memorandum to the Green Bank Board of Directors dated January 13, 2017, in which an "Alternative Underwriting Term Sheet" was approved. Five of the nine participating Smart-E lenders (three credit unions, one community bank, and the sole community development financial institution) amended their Financing Agreements with the Green Bank to adopt the Alternative Underwriting Term Sheet, while the remaining four community banks remained on the original, more conservative term sheet. Nearly 90% of Smart-E volume is from the lenders on the Alternative Underwriting Term Sheet.

To date, the Smart-E Loan program has succeeded in driving customer demand and matching it with a low-cost, flexible supply of private capital. Through December 31, 2021, participating Smart-E Lenders have closed or funded 5,944 loans for just over $90 million of private capital principal balance. Portfolio performance is strong, with 0.8% delinquency and 1.4% charge-off rates, based on originated principal (which principal is also the basis for the calculation of the loan loss reserve (Green Bank) and retained loss (local lender).

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[1] The Smart-E program was previously amended via a memo to the Green Bank Deployment Committee dated February 28, 2014, with loans ranging in tenor from 5 – 12 years, in rates not to exceed 4.49% to 6.99% respectively, in amounts from $3,000 to $45,000 (subject to approval), and, pursuant to Public Act 13-298, either serviced directly by the lender, or indirectly by an On-bill Repayment ("OBR") mechanism in conjunction with participating utilities.

Request

Environmental Infrastructure

Both the standard and alternative underwriting term sheets include a category of "eligible improvements" that can be financed using a Smart-E Loan, defined as:

1) Residential "clean energy" improvements as defined by Connecticut General Statutes Section 16-245n Sec 99
2) Listed as categorically excluded from the National Environmental Protection Act and eligible activities under the American Recovery and Reinvestment Act of 2009 through the State Energy Program, and
3) Recommended by a Program Contractor.

Following the bipartisan passage of Public Act 21-115 ("An Act Concerning Climate Change Adaption")[2], which in part expanded the Green Bank's scope beyond "clean energy" to include "environmental infrastructure," the Smart-E Loan program team recommends adding a fourth item to the "eligible improvements" category to allow for the addition of certain environmental infrastructure measures, as approved by the Green Bank's Senior Staff.

The program team has begun researching measures that could be added to the list of eligible improvements and will put each measure through an assessment process, including:

- Determining the measure's fit within an environmental infrastructure topic: A) water, B) waste and recycling, C) climate adaptation and resiliency, D) agriculture, E) land conservation, F) parks and recreation, and G) environmental markets, including, but not limited to, carbon offsets and ecosystem services.
- Setting technical parameters for the measure to ensure the quality of the improvement (similar to the efficiency rating thresholds of the current clean energy measures).
- Working with the State of Connecticut's Department of Consumer Protection (Occupational & Professional Enforcement Unit) and our network of project inspectors to determine contractor license and permitting requirements that may be required for the new measures.
- Identifying trade associations or other groups of contractors that can install the measures – adding to a network of nearly 400 currently eligible companies.

Outreach has also been conducted to key partners, including the Connecticut Department of Energy and Environmental Protection, Connecticut Department of Insurance, Eversource, United Illuminating, and Operation Fuel, to solicit feedback on measures to be added.

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[2] https://www.cga.ct.gov/2021/ACT/PA/pdf/2021PA-00115-R00HB-06441-PA.pdf

No ratepayer funds will be used towards Smart-E Loans for environmental infrastructure projects. The loans will be funded using private capital and the lenders will have access to a loan loss reserve provided by the Green Bank, but those loan loss reserve accounts will be funded using interest income and other portfolio earnings that come to the Green Bank. Additionally, funds from the American Recovery and Reinvestment Act will not be used for interest rate buydown campaigns on environmental infrastructure projects. Lenders, contractors and homeowners will be advised that projects that include both a clean energy and environmental infrastructure component should be financed as separate Smart-E Loans in order to qualify for the loan loss reserve.

Loan Amounts

The Smart-E Loan term sheets currently allow for loans up to $40,000, with the option for loans to be considered on an exception basis up to $45,000 with approval from the Green Bank's Senior Staff.

To date, the average loan amount is just over $15,000, as program volume is primarily from efficient HVAC projects (70%), followed by solar (20%), and home performance (10%). The average solar loan is just under $25,000.

Following the January 2022 launch of the Energy Storage Solutions battery incentive program, an increase in solar and storage projects seeking financing through Smart-E is anticipated. With a projected average battery price range of $12,000 - $15,000, and the potential for multiple batteries per household, the program team recommends increasing the loan maximum to $75,000 to accommodate larger loans. This would also help more Connecticut homeowners finance ground source heat pump projects, which to date have often well-exceeded the $40,000 loan maximum, resulting in borrowers having to seek additional or sometimes alternate financing.

Two Smart-E lenders have already expressed interest in lending above $45,000 and have mentioned the possibility of adding a UCC-1 filing to secure the larger loans. Under the guidance of the Green Bank's Chief Investment Officer and Senior Staff, the program team will engage all participating lenders individually to determine their desire to lend above the currently established $45,000 limit and will continue to approve these higher amount loans on a case-by-case basis (with this "required Green Bank approval" limit being increased from $40,000 to $50,000).

In addition, under the new solar PV tariff arrangement (successor to RSIP administered by the utilities) and the Energy Storage Solutions incentives program co-administered by Green Bank and the utilities, PURA ordered that the tariff and incentive payments are eligible for direct payment to a lender or capital provider. Green Bank is discussing with local lenders how this direct payment arrangement could allow for a lower interest rate as direct payments would reduce repayment risk associated with the borrower. Green Bank advocated for this "direct payment" policy for Smart-E and other financing programs to ensure easy and affordable access to the benefits of clean energy (e.g., reduced energy burden and increased resilience) particularly for vulnerable communities.

Conclusion

Nearly 10 years after the Deployment Committee's approval to create the Smart-E Loan, the program has helped nearly 6,000 Connecticut households access funds needed to make critical home energy improvements – from small insulation upgrades to whole home electrification including air and ground source heat pumps, solar, battery storage, and electric vehicle charging stations. The program team now seeks the Deployment Committee's approval to advance Smart-E to its next phase, where homeowners will be able to finance clean energy as well as critical environmental infrastructure improvements focused on water, resiliency and more. And while not feasible for all homeowners, increasing Smart-E Loan amounts will allow those with the means to take on larger projects to do so without the burden of multiple loans.

Resolution

~~**WHEREAS**, in July of 2011, the Connecticut General Assembly definition of clean energy in CGS Section 16-245n(a);~~

WHEREAS, at a Special Meeting of the Connecticut Green Bank's (Green Bank) Deployment Committee ("the Deployment Committee") held on November 30, 2012, the Deployment Committee passed **resolutions** to approve the Smart-E Loan Program (originally called the "CT HELPs Program");

WHEREAS, in February of 2013, the Connecticut Department of Energy and Environmental Protection released the Comprehensive Energy Strategy ("CES") for Connecticut that includes developing financing programs that leverage private capital to make clean energy investments more affordable, including the pilot Smart-E Loan residential financing program;

WHEREAS, in May of 2013, Green Bank launched the Smart-E Loan program, currently operating statewide, with nine local lenders providing low cost and long-term financing for measures that are consistent with the state energy policy and the implementation of the CES;

WHEREAS, in March of 2014, the Deployment Committee approved revisions to the Smart-E lender term sheet regarding program loan amounts and loan duration, and certain incremental program upgrades from Smart-E's first 15 months;

WHEREAS, in October of 2015 and January 2017, the Board of Directors (Board) approved an alternate underwriting term sheet which expanded the Smart-E Loan applicant pool beyond the standard underwriting criteria, so as to include credit-challenged borrowers;

WHEREAS, program staff request that the term sheet be further enhanced to allow for the addition of environmental infrastructure measures to the list of "eligible improvements" and to increase the maximum loan amount from $45,000 to $75,000 to accommodate larger projects and to raise the Green Bank approval threshold from $40,000 to $50,000 as more fully explained in a memorandum to the Board dated February 16, 2022.

NOW, therefore be it:

RESOLVED, that the Deployment Committee approves amending the Smart-E "eligible improvements" category to include residential "environmental infrastructure" improvements as defined in Public Act 21-115; and

RESOLVED, that the Deployment Committee approves amending the Smart-E maximum loan amount from $45,000 to $75,000 and raising the Green Bank approval threshold from $40,000 to $50,000.

Attachment A

LOAN REQUIREMENTS

Loan Product Details	**Structure/Minimum Standards**
Loan type	Unsecured
Program Contractor	Program Contractors are defined as: 1. Home Energy Solutions contractors, 2. Home Performance with ENERGY STAR contractors, 3. Building Performance Institute contractors, or other appropriately licensed and insured contractor, that are registered home improvement contractors with the Connecticut Department of Consumer Protection, 4. or any other Connecticut utility or Green Bank authorized contractor.
Eligible improvements	(1) Residential "Clean Energy" improvements as defined by Connecticut General Statutes Section 16-245n Sec. 99, (2) Listed as categorically excluded from the National Environmental Protection Act and eligible activities under the American Recovery and Reinvestment Act of 2009 through the State Energy Program, (3) Residential "Environmental Infrastructure" improvements as defined in ~~Public Act 21-115~~Connecticut~~.~~ General Statute 16-245n, and (~~3~~4) Recommended by a Program Contractor.
Additional Improvements	25% of the loan amount may be used for related residential construction and home improvements
Loan amounts	Preferred Program Range: ~~$3,000~~ $500 (minimum) to ~~$25,000~~ $50,000 (maximum) Lenders can offer loan amounts ~~lower than $3,000 and/or~~ higher than ~~$25,000~~ $50,000 (up to ~~$45,000~~ $75,000) subject to Green Bank approval.
Loan term	For all loan amounts: up to 240 months.
Loan rates	(Not to exceed) 5 Years - 4.49% 7 Years - 4.99% 10 Years - 5.99% 12 Years - 6.99% Up to 20 years - Negotiable Lending Institutions may offer rates below those shown. Fixed rate with no prepayment penalty.
Eligible properties	Single-family (1-4 unit) homes, primary residence or not used as income property.

Minimum FICO (credit score)	Minimum 580 680 and Above – **CLASS A LOANS** 580-679 – **CLASS B LOANS**
Other alternative underwriting criteria	Judgment of Lending Institution with Green Bank approval
Debt to Income Ratio	
Total monthly obligations	Judgment of Lending Institution with Green Bank approval
Application Processing and Loan Closing	
Application	* The Lending Institution shall establish and implement a loan application intake system. The Lending Institution shall provide Customers the option to apply for the loans using an application form, via the Lending Institution's website (if available), or by telephone. * Once a Customer's Application is complete, the Lending Institution shall either approve or deny the application within [three] business days. *If the Program Loan is approved and accepted by the Customer, Lending Institution shall make available a closing date for the Program Loan within [five] business days.
Total monthly obligations to total monthly income	All qualifying FICO scores – 50% or less, except in cases where the Customer has a FICO score greater than 680, in which case there is no restriction on total monthly obligations to total monthly income

LENDING INSTITUTIONS MAKE ALL FINAL UNDERWRITING DECISIONS. LOANS MAY BE APPROVED, DECLINED, OR SUBJECT TO FURTHER REVIEW IF UNDERWRITER DETERMINES THAT FICO SCORE OR OTHER FACTORS ARE INCONSISTENT WITH ACTUAL CREDIT PROFILE.

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