



## Audit, Compliance and Governance Committee

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### **Meeting Date**

**January 16, 2024**





## **Audit, Compliance, & Governance Committee Members**

**Thomas M. Flynn, Chair**

Managing Member, Coral Drive Partners,  
LLC

**Lonnie Reed**

Board Chair

**Matthew Ranelli**

Partner, Shipman & Goodwin LLP

**Joanne Wozniak-Brown**

OPM

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



January 9, 2023

Dear Audit, Compliance and Governance (ACG) Committee Members,

We look forward to our meeting on Tuesday, January 16<sup>th</sup> via Microsoft Teams ([Click here to join the meeting](#)) from 8:30 a.m. to 9:30 a.m. We will be discussing the following agenda items:

1. Loan Forgiveness Approval for Operational Demonstration Projects
2. Legislative and Regulatory Policy Process and Update
3. Auditors of Public Accounts (APA) Report Out

As always, please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Brian Farnen". The signature is written in a cursive style and is followed by a long horizontal line.

Brian Farnen  
General Counsel & Chief Legal Officer



## **AGENDA**

Audit, Compliance and Governance Committee of the  
Connecticut Green Bank  
75 Charter Oak Avenue, Suite 1-103  
Hartford, CT 06106

Tuesday, January 16, 2024  
8:30 – 9:30 a.m.

Staff Invited: Jane Murphy, Brian Farnen, Bryan Garcia, Bert Hunter, Eric Shrago and James Desantos

Others invites:

1. Call to order
2. Public Comments
3. Approve Meeting Minutes for October 10, 2023\* – 5 minutes
4. Loan Forgiveness Approval for Operational Demonstration Projects\* - 10 minutes
5. Legislative and Regulatory Policy Process and Update – 5 minutes
6. Auditors of Public Accounts (APA) Report Out – 5 minutes
7. Update on Statutory Report Status – 5 minutes
8. Adjourn

\*Denotes item requiring Committee action

\*\* Denotes item requiring Committee action and recommendation to the Board for approval

Join the meeting online at  
[Click here to join the meeting](#)

Meeting ID: 285 168 241 812  
Passcode: AtaW5W

Or call in using your telephone:  
Dial +1 860-924-7736  
Phone Conference ID: 351 286 172#

Next Regular Meeting: May 14, 2024  
Connecticut Green Bank, 75 Charter Oak Ave., Suite 1-103, Hartford, CT



## **RESOLUTIONS**

Audit, Compliance and Governance Committee of the  
Connecticut Green Bank  
75 Charter Oak Avenue, Suite 1-103  
Hartford, CT 06106

Tuesday, January 16, 2024  
8:30 – 9:30 a.m.

Staff Invited: Jane Murphy, Brian Farnen, Bryan Garcia, Bert Hunter, Eric Shrago and James Desantos

Others invites:

1. Call to order
2. Public Comments
3. Approve Meeting Minutes for October 10, 2023\* – 5 minutes

### **Resolution #1:**

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for October 10, 2023. Second. Discussion. Vote.

4. Loan Forgiveness Approval for Operational Demonstration Projects\* - 10 minutes – Bert Hunter

### **Resolution #2:**

**WHEREAS**, on October 20, 2017, the Green Bank Board of Directors approved of a recommendation brought forth by both the Audit, Compliance and Governance (“ACG”) Committee and Deployment Committee to approve the authorization to amend the Staff Approval Policy to increase program funding requests for Projects Under \$300,000 to \$500,000 with an aggregate amount limit of \$1,000,000 from the date of the last Deployment Committee meeting; and

**WHEREAS**, based on a recommendation brought forth by the Deployment and ACG Committees, the Board approved and authorized the Green Bank staff to implement the Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank’s balance sheet and consistent with the memorandum to the Board dated June 13, 2018 (“Loan Loss Decision Framework and Process”) and for a similar framework to be developed at a future date for the Green Bank’s special purpose vehicles (i.e., subsidiaries); and

**WHEREAS**, on May 19, 2020, the ACG Committee, and on May 27, 2020, the Deployment Committee, recommended that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank’s balance sheet and consistent with the memorandums presented to the committees May 12, 2020, and May

20, 2020, respectively; and

**WHEREAS**, the Clean Energy Finance and Investment Authority (“CEFIA”) had an Operational Demonstration Program (“Op Demo Program”) to provide non-recourse loans (“Op Demo Loans”) which contained provisions for the forgiveness of the loan amount if they did not achieve Commercial Success or a Liquidity Event (as defined in the agreements);

**WHEREAS**, the Green Bank staff is requesting approval to forgive a \$500,000 loan to New England Hydropower Company LLC and a \$150,000 loan to Anchor Science LLC consistent with the terms of the Op Demo Loans as explained in the memorandum to the ACG Committee dated January 9, 2024 (the “Op Demo Loan Memo”);

**NOW**, therefore be it:

**RESOLVED**, that the ACG Committee approves of the Staff proceeding with forgiving Op Demo loans to New England Hydropower Company LLC and Anchor Science LLC, consistent with the Op Demo Loan agreements and the Op Demo Loan Memo.

5. Legislative and Regulatory Policy Process and Update – 5 minutes – Brian and James
6. Auditors of Public Accounts (APA) Report Out – 5 minutes – Jane
7. Update on Statutory Report Status – 5 minutes – Brian and James
8. Adjourn

\*Denotes item requiring Committee action

\*\* Denotes item requiring Committee action and recommendation to the Board for approval

Join the meeting online at  
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Meeting ID: 285 168 241 812  
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Next Regular Meeting: May 14, 2024  
Connecticut Green Bank, 75 Charter Oak Ave., Suite 1-103, Hartford, CT

# 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** – per Executive Order 7B (i.e., suspension of in-person open meeting requirements), we need to record and post this board meeting.
- **State Your Name** – for those talking, please state your name for the record.



CONNECTICUT  
**GREEN BANK** SM

# **Audit, Compliance and Governance Committee**

January 16, 2024



# ACG Committee

## Agenda Item #1

### Call to Order

# ACG Committee

## Agenda Item #2

### Public Comments

# ACG Committee

Agenda Item #3

Approve Meeting Minutes for October 10, 2023

# Agenda Item #3

## Resolution #1



## Meeting Minutes

### Resolution #1:

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for October 10, 2023.  
Second. Discussion. Vote.

# ACG Committee

Agenda Item #4

Loan Forgiveness Approval for  
Operational Demonstration Projects

# Loan Forgiveness Approval for Operational Demonstration Projects



CEFIA had an Op Demo Program, to support demonstration, testing and validation of promising *pre-commercial* technologies

- Recipients awarded through competitive RFP releases.
- Recipients received a non-recourse forgivable loan from CEFIA.
- Repayment would be triggered by:
  - “Commercial Success” = annual revenues > defined amount
  - “Liquidity Event” = company full or partial acquisition

# Loan Forgiveness Approval for Operational Demonstration Projects



- Loan amount outstanding reduced to **zero** after 10 years from execution date of Op Demo Loan if Commercial Success or a Liquidity Event is not achieved.
- Green Bank staff requesting approval to forgive the following loans, consistent with Op Demo Loan Agreements

Company Name	Loan Forgiveness Amount	Loan Forgiveness Date	Comment
New England Hydropower Company, LLC	\$500,000	March 1, 2023	Did not achieve Commercial Success or Liquidity Event. 20-year Revenue Sharing Agreement provides compensation to Green Bank equal to 5% of Company's Operating Revenues from 2016 to 2036.
Anchor Science LLC	\$150,000	August 28, 2022	Company did not reach Commercial Success (\$2M for this agreement) or a Liquidity Event.

# Loan Forgiveness Approval for Operational Demonstration Projects



## **Resolution #2:**

**NOW**, therefore be it:

**RESOLVED**, that the ACG Committee approves of the Staff proceeding with forgiving Op Demo loans to New England Hydropower Company LLC and Anchor Science LLC, consistent with the Op Demo Loan agreements and the Op Demo Loan Memo.



# ACG Committee

## Agenda Item #5

### Legislative and Regulatory Policy Process and Update

## NEW Process

### EXPECTED 2024 LEGISLATIVE SESSION ENERGY TOPICS

1. **Uniform Tax Code**
2. **Resiliency and TIF Financing**
3. **NRES Expansion**
4. **Hydropower Task Force**
5. **Residential Solar Consumer Protection**
6. **EV Regulations**
7. **Heat Loan**

# ACG Committee

Agenda Item #6

Auditors of Public Accounts (APA) Report Out

# Auditors of Public Accounts (APA) Report Out



**FY2020 and FY2021 Audit issued December 21, 2023**

**Two findings identified:**

## **1. Lack of Penalty for False Statement Language in Contracts and Agreements**

- **Green Bank contracts and loan agreements do not identify false statements as a violation of Section 53a-157b of the General Statutes and a class A misdemeanor.**
- **We agree with the finding and contracts executed February 2023 and later now include this provision.**

# Auditors of Public Accounts (APA) Report Out



## **2. Agency Does Not Identify or Track Surplus Funds**

- **Operating procedures require CGB to withdraw or transfer surplus funds generated through the sale of debt securities to our operating account.**
- **CGB does not have a system or procedure to identify, track and account for surplus funds.**
- **We agree with the finding and will review Sources and Uses section of the Official Statement for any upcoming bond issuances to identify potential surplus funds.**
- **Two Green Liberty Bond issuances within the audit period did not yield any surplus funds using this method.**

# ACG Committee

## Agenda Item #7

### Update on Statutory Report Status

# Legislative Process

## Update on Statutory Report Status



### STATUTORY REPORTS FILED IN 2023

- Section 1-123 (a) - Comprehensive Annual Financial Report
- Section 1-123 (b) - Quarterly Cash Flow Report to OFA
- Section 1-123 (c) - Quarterly Personnel Status Report to OFA
- Section 16-245aa (d) - Renewable Energy & Efficient Energy Finance Account
- Section 16-245mm (d) - Special Capital Reserve Fund
- Section 16-245ff (j) - Residential Solar Investment Program (RSIP)
- Section 16-245n (f) (1) - Annual Report
- Section 16-245aa (d) - Board of Directors Meetings
- Section 16-245n (f) (1) - OpenConnecticut Checkbook-Level Data (Comptroller)

### STATUTORY REPORTING CHANGES IN 2024

- Section 9-4b – Board Diversity Report (Not required to file annually per CT SOTS)
- Section 16-245aa (d) - (REEEFA) Technical Amendment (CGA 2024)
- Section 16-245ff (j) - (RSIP) - Program has sunset. Last filing in 2023

# ACG Committee

Agenda Item #8  
Adjourn





**AUDIT, COMPLIANCE AND GOVERNANCE OF THE  
CONNECTICUT GREEN BANK**  
Regular Meeting Minutes

Tuesday, October 10, 2023  
8:30 a.m. – 9:30 a.m.

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the “Green Bank”)** was held on October 10, 2023.

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

Committee Members Present: Thomas Flynn, Matthew Ranelli, Lonnie Reed

Committee Members Absent: Joanna Wozniak-Brown

Staff Attending: Joe Buonannata, Sergio Carrillo, Shawne Cartelli, James DeSantos, Blaire Backman, Bryan Garcia, Bert Hunter, Cheryl Lumpkin, Jane Murphy, Ariel Schneider, Eric Shrago, Dan Smith, Leigh Whelpton

Others present: Joseph Centofanti and Katherine Patnaude from PKF O’Connor Davies,

**1. Call to Order**

- Thomas Flynn called the meeting to order at 8:20 am.

**2. Public Comments**

- No public comments.

**3. Approve Meeting Minutes for May 16, 2023**

**Resolution #1**

Motion to approve the minutes of the Audit, Compliance, and Governance Committee meeting for May 16, 2023.

**Upon a motion made by Thomas Flynn, the ACG Committee voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.**

**4. Annual Comprehensive Financial Report (ACFR) Review**

- Joseph Centofanti summarized the ACFR highlights, required communications, and future considerations. For highlights, the depreciation expense is now presented on the Statement of Revenues, Expenses, and Changes in Fund Balance, there was no

## Subject to Changes and Deletions

Federal Single audit necessary, GASB No 96 was in ~~effect~~ implemented this year but was determined to be not material.

- Thomas Flynn asked for clarification that there was nothing found compared to last year and no additional findings this year, which Joseph Centofanti confirmed and stated the team was proactive with recommendations.
- Joseph Centofanti stated the financial statements will receive an unmodified opinion, recommended reading the Management Discussion and Analysis then reviewed some highlights including some of the items which drove the changes to revenues and expenses. He also showed a chart displaying revenues for the last five years which shows positive growth.
  - Thomas Flynn asked what drove the increase in the loan loss provision, and Jane Murphy responded that it was because there were more loans on the balance sheet this year and it was a percentage-based calculation. David Smith also clarified that last year some COVID reserves were taken down because they were not needed, leading to a lower-than-average number then. Thomas Flynn accepted that the numbers were average, and that last year was actually an outlier year.
- Katherine Patnaude summarized the required communications such as estimates significant to the financial statements and that the key factors and assumptions in those estimates were reasonable. As well, the disclosures are neutral, consistent, and clear.
  - Thomas Flynn requested that email headers from the audit firm be worded a bit more cautiously as one email that went out recently caused unnecessary concerns. Lonnie Reed agreed and supported the request as to not cause information to be incorrectly interpreted.
- For future considerations, Katherine Patnaude stated updates to GASB 100 for accounting changes and error corrections, and then updates for GASB 101 which will be effective in FY 2025 in relation compensated absences.
  - Thomas Flynn asked how the audit went from both the Green Bank perspective and auditor's perspective. Jane Murphy responded that it is a lot of work, but it did go smoothly, with the exception that some larger files became challenging to send, but procedurally it went fine. Joseph Centofanti said that the audit went fine and that the second year is always smoother, and that the Green Bank's response time to requests is very prompt and much higher than their average response time from clients.
  - Thomas Flynn asked if there is anything that should be watched for or raises potential concerns. Joseph Centofanti responded that nothing comes to mind, but improvements to readability of the report may help.
  - Matthew Ranelli asked about the non-financial statistics, and Bryan Garcia clarified they are included in the ACFR document as well as a quick summary of the sections found in it.

### **Resolution #2**

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the proposed draft Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2023.

**Upon a motion made by Thomas Flynn, the ACG Committee voted to approve Resolution 2. None opposed or abstained. Motion approved unanimously.**

## **5. Employee Handbook Revisions**

## Subject to Changes and Deletions

- Joe Buonannata reviewed the updates to the employee handbook including wording revisions and policy and procedure revisions, such as expense report policy amendments, educational assistance policy amendments, and cell phone policy amendments. He further explained the updates to the Mobile Device Management policy.
  - Thomas Flynn stated his support for the updates to the Mobile Device Management policy especially after the feedback from the last meeting.
  - Matthew Ranelli asked if it was in alignment with the data policy, and Eric Shrago stated yes as all communications are stored within a cloud server and cell phones are just a means of access.

### **Resolution #3**

**WHEREAS**, pursuant to Section 5.2.1 of the Connecticut Green Bank (Green Bank) Bylaws, the Audit, Compliance, & Governance Committee is charged with the review and approval of, and in its discretion recommendations to the Board of Directors (Board) regarding, all governance and administrative matters affecting the Green Bank, including but not limited to the Green Bank Employee Handbook;

**NOW**, therefore be it:

**RESOLVED**, that the Audit, Compliance & Governance Committee hereby recommends that the Board of the Green Bank approve of the revisions to the Green Bank Employee Handbook presented on October 10, 2023.

**Upon a motion made by Thomas Flynn, the ACG Committee voted to approve Resolution 3. None opposed or abstained. Motion approved unanimously.**

## **6. Legislative Process**

- James Desantos summarized the objectives for the legislative process and team including developing systematic processes and associated timeline to align with important annual deadlines, create transparency and engagement throughout the organization, increase public hearing engagement, and present helpful session updates and post-session updates.
  - Matthe Ranelli thanked the team for their hard work and improvement of the legislative agenda and working with sister agencies and legislators. He stated that before it is presented to the Board in full, that it be socialized with Board members who also sit within agencies to get their input. James Desantos agreed.
  - Thomas Flynn asked for an update on making communications more readable and digestible. Bryan Garcia responded that there is a set of abridged financial statements which are sent to the Board quarterly and are intended to be used to help them communicate certain messages to legislative leaders.
  - Matthew Ranelli asked if the policies are written in a way that covers Board Members specifically in relation to speaking to others as a Board Member of the Green Bank or not, just to avoid missteps. Others stated that it has not been an issue previously, but as a framework for communicating with the legislative bodies is formalized, guidance for how Board Members can present themselves may be necessary. Bryan Garcia and James Desantos agreed.

## Subject to Changes and Deletions

### **Resolution #4**

**WHEREAS**, pursuant to Section 5.2.1 of the Connecticut Green Bank (Green Bank) Bylaws, the Audit, Compliance, & Governance (ACG) Committee is charged with the review and approval of, and in its discretion recommendations to the Board of Directors (Board) regarding, all governance and administrative matters affecting the Green Bank.

**WHEREAS**, Green Bank staff developed a systematic process and associated timeline to align with (1) Connecticut legislative session deadlines, (2) Board and ACG Committee Meetings, and (3) PURA regulatory proceeding process per appropriate docket.

**NOW**, therefore be it:

**RESOLVED**, that the ACG Committee hereby recommends that the Board approve of the proposed recommendations as outlined in the proposed Legislative & Policy Board Process Memo dated October 3, 2023.

**Upon a motion made by Thomas Flynn, the ACG Committee voted to approve Resolution 4. None opposed or abstained. Motion approved unanimously.**

#### **7. Impact Methodology Update**

- Eric Shrago gave an update to the Emissions and Air Quality impact methodology, which will be updated to use the EPA's factors and models directly to save staff time, be more accurate, and produce estimates to reductions of more types of pollutants which feed into air quality and public health.
  - Matthew Ranelli asked for more clarification offline as to how the model incorporates the sale of RECs and Eric Shrago agreed.

### **Resolution #5**

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval on its consent agenda the updated EPA AVERT Model for the Evaluation and Measurement of the environmental impact of Green Bank supported projects including the new pollutants.

**Upon a motion made by Thomas Flynn, the ACG Committee voted to approve Resolution 5. None opposed or abstained. Motion approved unanimously.**

#### **8. Governance** **a. Annual Governance Review**

- There are no updates to the Annual Governance Review.

#### **9. BOD Membership Terms Updates and Attendance Review**

- Bryan Garcia summarized the status of the Board Members and which positions are open or not.

Subject to Changes and Deletions

**10. Adjourn**

**Upon a motion made by Lonnie Reed and seconded by Matthew Ranelli, the Audit, Compliance, and Governance Committee Meeting adjourned at 9:28 am.**

Respectfully submitted,

---

Thomas Flynn, Chairperson

DRAFT



# Memo

**To:** Audit, Compliance and Governance Committee  
**From:** Mariana Trief (Associate Director, Investments), Bert Hunter (EVP & Chief Investment Officer), Bryan Garcia (President and CEO), Jane Murphy (EVP, Finance & Administration), Brian Farnen (General Counsel), Dan Smith (Associate Director)  
**Date:** January 9, 2024  
**Re:** Loan Forgiveness Approval for Operational Demonstration Projects

At the March 25, 2022 Board of Directors (“BOD”) meeting of the Connecticut Green Bank (“Green Bank”) the Loan Loss Decision Framework was last amended and it was resolved that the Audit, Compliance and Governance Committee (“ACG”) would have the authority to approve loan write-offs for transactions with principal balances greater than \$100,000 and less than \$1,000,000. Green Bank staff is coming forward for approval to forgive the loans of certain projects noted below within the legacy Operational Demonstration program.

The Clean Energy Finance and Investment Authority (“CEFIA”) through the Clean Energy Fund (“CEF”) had an Operational Demonstration Program (“Op Demo Program”), which supported the demonstration, testing and validation of promising *pre-commercial* technologies<sup>1</sup>, with the goals of building customer and investor confidence. Recipients were awarded through competitive RFP releases. Through the Op Demo program, recipients received a non-recourse forgivable loan from CEFIA (“Op Demo Loans”). A summary of the Op Demo Loans awarded is presented below:

Recipient	Loan Amount	Amount Disbursed	Execution Date	Status
Mechatronic Energy Systems, LLC	\$557,134	\$501,421	August 8, 2007	Written off Fiscal Year ended June 30, 2017
Chestnut Hill BioEnergy CT, LLC	\$500,000	\$237,245.17	April 30, 2009	Written off Fiscal Year ended June 30, 2016
LiteTrough, LLC	\$81,000	\$31,380	April 5, 2010	Written off Fiscal Year ended June 30, 2016
Anchor Science LLC	\$150,000	\$150,000	August 28, 2012	Reached period for forgiveness in August 2022
New England Hydropower Company, LLC	\$500,000	\$500,000	March 1, 2013	Reached period for forgiveness March 2023
RPM Sustainable Technologies, Inc.	\$500,000	\$383,000	May 1, 2013	Written off Fiscal Year ended June 30, 2016

<sup>1</sup> Note that the Green Bank has focused on investments in commercialized technologies only for over a decade.

Commented [MCT1]: @Dan Smith is this something you could pull from accounting?  
Commented [DS2]: input loans that we ever reported as sending money out for and included a status column to show what happened to them  
Commented [MT3]: Looks good, I will accept changes so that formatting looks ok

The Op Demo Loan typically included a provision whereby repayment of the loan to the Green Bank would be triggered by either the relevant company being deemed a “Commercial Success” (typically defined as the first fiscal year when the borrower’s total annual revenues would achieve Ten Million dollars (\$10,000,000) as determined by their most recent audited financial statement) or a “Liquidity Event” (typically being acquired by another company or a sale of a material amount of ownership in the company for a significant amount). It also included a provision that the loan amount outstanding would be reduced to zero dollars (\$0.00) after ten (10) years from the execution date of Op Demo Loan if Commercial Success or a Liquidity Event had not yet been achieved. The Op Demo Loan agreement included reporting requirements to track if a borrower had achieved Commercial Success or a Liquidity Event.

As the 10 years from the date of execution of the Op Demo Loans has elapsed, and as Commercial Success or a Liquidity Event has not been achieved by that anniversary date, Green Bank staff is requesting approval from the ACG to approve forgiving the loans presented below (including retroactively, if necessary), in accordance with the signed agreements (attached as Exhibit 1 and Exhibit 2) and loan forgiveness date indicated.

Company Name	Loan Forgiveness Amount	Loan Forgiveness Date	Comment
New England Hydropower Company, LLC	\$500,000	March 1, 2023	Company did not achieve Commercial Success or Liquidity Event. Green Bank and Company signed a 20-year Revenue Sharing Agreement on July 11, 2016 that provides compensation to the Green Bank equal to 5% of Company’s Operating Revenues from 2016 to 2036.
Anchor Science LLC	\$150,000	August 28, 2022	Company did not reach Commercial Success (\$2M for this agreement) or a Liquidity Event 10 years from the execution date of the agreement.

With the approval by the ACG Committee, the Green Bank will move towards forgiving the two outstanding Op Demo Loans consistent with the Op Demo Loan agreements: a \$500,000 loan to New England Hydropower Company LLC and a \$150,000 loan to Anchor Science LLC. Since each investment has a loan loss reserve established that has written down the carrying value to \$1M, the net P&L impact of forgiving both loans is a \$2M capital loss.

## Resolution

**WHEREAS**, on October 20, 2017, the Green Bank Board of Directors approved of a recommendation brought forth by both the Audit, Compliance and Governance (“ACG”) Committee and Deployment Committee to approve the authorization to amend the Staff Approval Policy to increase program funding requests for Projects Under \$300,000 to \$500,000 with an aggregate amount limit of \$1,000,000 from the date of the last Deployment Committee meeting; and

**WHEREAS**, based on a recommendation brought forth by the Deployment and ACG Committees, the Board approved and authorized the Green Bank staff to implement the Loan Loss Decision Framework and Process for managing assets requiring restructuring or write-off from the Green Bank’s balance sheet and consistent with the memorandum to the Board dated June 13, 2018 (“Loan Loss Decision Framework and Process”) and for a similar framework to be developed at a future date for the Green Bank’s special purpose vehicles (i.e., subsidiaries); and

**WHEREAS**, on May 19, 2020, the ACG Committee, and on May 27, 2020, the Deployment Committee, recommended that the Board of Directors approve of the Staff proposed Loan Loss Decision Framework and Process for Subsidiaries for managing assets requiring restructuring or write-off from the Green Bank’s balance sheet and consistent with the memorandums presented to the committees May 12, 2020, and May 20, 2020, respectively; and

**WHEREAS**, the Clean Energy Finance and Investment Authority (“CEFIA”) had an Operational Demonstration Program (“Op Demo Program”) to provide non-recourse loans (“Op Demo Loans”) which contained provisions for the forgiveness of the loan amount if they did not achieve Commercial Success or a Liquidity Event (as defined in the agreements);

**WHEREAS**, the Green Bank staff is requesting approval to forgive a \$500,000 loan to New England Hydropower Company LLC and a \$150,000 loan to Anchor Science LLC consistent with the terms of the Op Demo Loans as explained in the memorandum to the ACG Committee dated January 9, 2024 (the “Op Demo Loan Memo”);

**NOW**, therefore be it:

**RESOLVED**, that the ACG Committee approves of the Staff proceeding with forgiving Op Demo loans to New England Hydropower Company LLC and Anchor Science LLC, consistent with the Op Demo Loan agreements and the Op Demo Loan Memo.

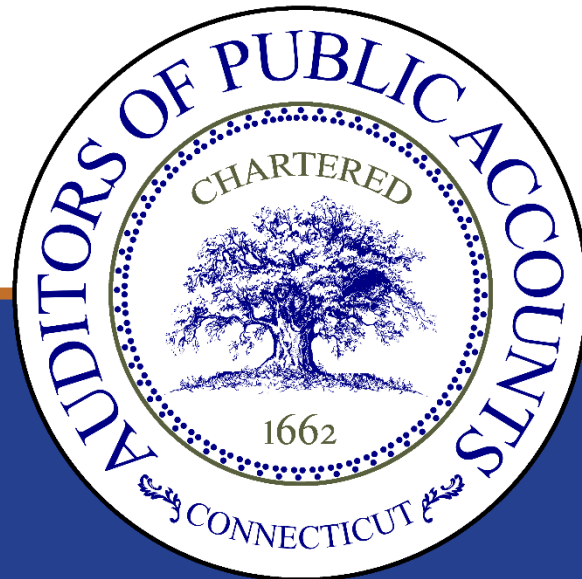


# AUDITORS' REPORT

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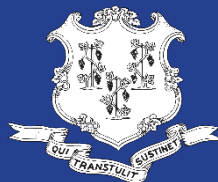
## Connecticut Green Bank

FISCAL YEARS ENDED JUNE 30, 2020 AND 2021



**STATE OF CONNECTICUT**  
Auditors of Public Accounts

**JOHN C. GERAGOSIAN**  
State Auditor



**CLARK J. CHAPIN**  
State Auditor

# CONTENTS

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INTRODUCTION.....	3
STATE AUDITORS' FINDINGS AND RECOMMENDATIONS.....	4
Lack of Penalty for False Statement Language in Contracts and Agreements.....	4
Agency Does Not Identify or Track Surplus Funds.....	5
STATUS OF PRIOR AUDIT RECOMMENDATIONS .....	7
OBJECTIVES, SCOPE, AND METHODOLOGY.....	8
ABOUT THE AGENCY.....	10

STATE OF CONNECTICUT



AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL  
210 CAPITOL AVENUE  
HARTFORD, CONNECTICUT 06106-1559

CLARK J. CHAPIN

December 21, 2023

INTRODUCTION

We are pleased to submit this audit of the Connecticut Green Bank (Green Bank) for the fiscal years ended June 30, 2020 and 2021 in accordance with the provisions of Section 2-90 of the Connecticut General Statutes. Our audit identified instances of noncompliance with laws, regulations, or policies and internal control deficiencies.

The Auditors of Public Accounts wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Connecticut Green Bank during the course of our examination.

The Auditors of Public Accounts also would like to acknowledge the auditors who contributed to this report:

Derik Muller

A handwritten signature in black ink that reads "Derik J Muller".

Derik Muller  
Associate Auditor

Approved:

A handwritten signature in black ink, appearing to be "John C. Geragosian".

John C. Geragosian  
State Auditor

A handwritten signature in black ink that reads "Clark J. Chapin".

Clark J. Chapin  
State Auditor

# STATE AUDITORS' FINDINGS AND RECOMMENDATIONS

Our examination of the records of the Connecticut Green Bank disclosed the following two recommendations, which were not repeated from the previous audit.

## **Finding 1**

### **Lack of Penalty for False Statement Language in Contracts and Agreements**

#### **Criteria**

Section 1-126 of the General Statutes states that any quasi-public agency shall require any application, agreement, financial statement, certificate or other writing submitted to it with respect to any loan, mortgage, guarantee, investment, grant, lease, tax relief, bond financing or other extension of credit or financial assistance, that provides information on which the decision of such quasi-public agency was based, to be signed under penalty of false statement as provided in Section 53a-157b.

Section 53a-157b of the General Statutes provides that a person is guilty of a false statement when making intentionally false written statements pursuant to a form bearing notice, authorized by law, to the effect that the false statements are punishable. A false statement is a class A misdemeanor.

#### **Condition**

Green Bank contracts and loan agreements do not identify false statements as a violation of Section 53a-157b of the General Statutes and a class A misdemeanor. Green Bank loan agreements only identify false statements as a situation that could constitute a default.

#### **Context**

The Connecticut Green Bank awarded 26 loans of approximately \$19 million, and four grants of approximately \$250,000, for clean energy projects during the audited period.

#### **Effect**

The Connecticut Green Bank could loan or grant funds to individuals or companies that willfully mislead the agency about the size, scope, and purpose of the project.

#### **Cause**

The Connecticut Green Bank was not aware of the requirements of Sections 1-126 or 53a-157b of the General Statutes.

**Prior Audit Finding**

This finding has not been previously reported.

**Recommendation**

The Connecticut Green Bank's contracts and agreements should identify false statements as a violation of Section 53a-157b of the General Statutes and a Class A misdemeanor to ensure compliance with Section 1-126 of the General Statutes.

**Agency Response**

"We agree with the finding.

Upon becoming aware of Section 1-126 of the General Statutes, the Connecticut Green Bank added the following provision to its loans, mortgages, guarantees, investments, grants, leases, tax relief, bond financings and other extensions of credit or financial assistance:

"Any warranty, representation or statement made or furnished by [Borrower] or on [Borrower]'s behalf under this [Agreement/application], or any related documents, are made or furnished under penalty of false statement as provided in Connecticut General Statutes § 53a-157b."

Contracts executed February 2023 and later now include this provision."

**Finding 2****Agency Does Not Identify or Track Surplus Funds****Criteria**

Chapter XIV of Connecticut Green Bank's Operating Procedures Manual requires it to withdraw or transfer surplus funds generated through the sale of bonds, bond anticipation notes, or other obligations to its operating account when it is permitted under applicable resolutions for the bonds, bond anticipation notes, or other obligations to be used for any of the bank's lawful purposes.

**Condition**

The Connecticut Green Bank does not have a system or procedure to identify, track, and account for these surplus funds.

**Context**

The Green Bank deposited receipts from bonds and notes, including potential surplus funds into its operating account, which is its only active bank account. However, we could not determine the amount of the Green Bank's surplus funds.

<b>Effect</b>	Without a system to identify and track surplus funds, the Connecticut Green Bank could inadvertently deposit or use the funds in a way that violates requirements in its operating manual.
<b>Cause</b>	The Connecticut Green Bank was not aware of the requirements pertaining to the maintenance and use of surplus funds.
<b>Prior Audit Finding</b>	This finding has not been previously reported.
<b>Recommendation</b>	The Connecticut Green Bank should design and implement a system to identify and track any surplus funds generated by the sales of bonds and bond anticipation notes to ensure compliance with Chapter XIV of its operating procedures manual.
<b>Agency Response</b>	<p>"We agree with the finding.</p> <p>The Green Bank deposits all proceeds from debt issuances into its operating account. Upon becoming aware of this finding, the Green Bank reviewed the Sources and Uses section of the Official Statement for each of the two series of Green Liberty Bonds issued during the fiscal year 2020 and fiscal year 2021 audit period. We noted the Total sources and Total Uses of bond proceeds were equal for each issuance and, as such, did not yield any surplus funds. The Green Bank will use this procedure for future bond issuances to identify and track any potential surplus funds."</p>

# STATUS OF PRIOR AUDIT RECOMMENDATIONS

Our [prior audit report](#) on the Connecticut Green Bank contained three recommendations, which have been implemented or otherwise resolved.

<b>Prior Recommendation</b>	<b>Current Status</b>
The Connecticut Green Bank should comply with the reporting requirements in the Connecticut General Statutes.	<b>RESOLVED</b>
The Connecticut Green Bank should offer its severance agreements closer to the employee's separation date. The Green Bank should confirm that the position is not needed before entering into a separation agreement.	<b>RESOLVED</b>
The Connecticut Green Bank supervisors should promptly approve employee timesheets each pay period. If a supervisor is not available, an appropriate designee with knowledge of the employee's attendance should approve the timesheet.	<b>RESOLVED</b>

# OBJECTIVES, SCOPE, AND METHODOLOGY

We have audited certain operations of the Connecticut Green Bank in fulfillment of our duties under Sections 1-122 and 2-90 of the Connecticut General Statutes. The scope of our audit included, but was not necessarily limited to, the fiscal years ended June 30, 2020 and 2021. The objectives of our audit were to evaluate the:

1. Agency's significant internal controls over compliance and its compliance with policies and procedures internal to the agency or promulgated by other state agencies, as well as certain legal provisions, including as applicable but not limited to, whether the agency has complied with its regulations concerning affirmative action, personnel practices, the purchase of goods and services, the use of surplus funds, and the distribution of loans, grants and other financial assistance;
2. Agency's internal controls over certain financial and management functions; and
3. Effectiveness, economy, efficiency, and equity of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing written policies and procedures, financial records, minutes of meetings, and other pertinent documents; interviewing various personnel of the agency, as well as certain external parties; and testing selected transactions. Our testing was not designed to project to a population unless specifically stated. We obtained an understanding of internal controls that we deemed significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contracts, grant agreements, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



The accompanying Financial Information is presented for informational purposes. This information was obtained from various available sources including, but not limited to, the agency's management and the quasi-public's information systems and was not subjected to the procedures applied in our audit of the agency. For the areas audited, we identified:

1. Deficiencies in internal controls;
2. Apparent non-compliance with laws, regulations, contracts and grant agreements, policies, and procedures; and
3. A need for improvement in management practices and procedures that we deemed to be reportable.

The State Auditors' Findings and Recommendations section of this report presents findings arising from our audit of the Connecticut Green Bank.

# ABOUT THE AGENCY

## Overview

[The Connecticut Green Bank](#) (Green Bank) operates primarily under Chapter 283, Section 16-245n of the General Statutes. Subsection (d)(1)(A) of that section includes Green Bank as a public instrumentality and political subdivision of the state. Pursuant to Section 1-120 of the General Statutes, Green Bank is a quasi-public agency subject to the requirements in Chapter 12. As a quasi-public agency, Green Bank's financial information is included as a component unit in the State of Connecticut's Annual Comprehensive Financial Report (ACFR).

The Green Bank supports the Governor's and Legislature's energy strategy to achieve cleaner, cheaper, and more reliable sources of energy while creating jobs and supporting local economic development. Its mission is to confront climate change and provide all of society a healthier and more prosperous future by increasing and accelerating the flow of private capital into markets that energize the green economy. In accordance with Section 16-245n(d)(1)(B), Green Bank's purpose includes: (1) developing separate programs to finance and otherwise support clean energy investment in residential, municipal, small business, and larger commercial projects and such others as Green Bank may determine, (2) supporting financing or other expenditures that promote investment in clean energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of clean energy sources and related enterprises, and (3) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end use customers in the state.

The principal source of Green Bank's revenue is utility customer assessments made by the Public Utilities Regulatory Authority in accordance with Section 16-245n of the General Statutes. It is a charge per kilowatt-hour to each end-user of electrical services provided by utility companies in the State. Utility customer assessments can be used for Green Bank's general, administrative, and program expenses. During the audited period, the charge was 1 mill per kilowatt-hour. It is this assessment that provides the Green Bank's largest revenue source. The Green Bank also receives a portion of Connecticut's funds from the Regional Greenhouse Gas Initiative (RGGI) for the financing of energy efficiency and renewable energy projects. Funds from RGGI auctions are used to fund commercial property assessed clean energy program (C-PACE) loans. Other sources of revenue include renewable energy certificate (REC) sales, energy system sales, sale of Solar Renewable Energy Credits generated by facilities it has financed, and the federal government.

Since 2013, Green Bank transitioned to innovative, low-cost financing of clean energy deployment. This transition enabled Green Bank to invest its funds in activities that generate a return and create revenue that can be reinvested in solar energy for Connecticut. The Green Bank invests over 80 percent of its resources in loans, leases, and credit enhancements, and spends the other 20 percent on program and operating expenses.

## Component Units

The Connecticut Green Bank manages ten for-profit entities that administer its clean energy program as follows:

### **CEFIA Holdings, LLC**

CEFIA Holdings, LLC (CEFIA Holdings) is a Connecticut limited liability corporation, wholly owned by the Connecticut Green Bank. It was established to acquire and develop a portfolio of commercial and

residential solar photovoltaic equipment for the benefit of Connecticut homeowners, businesses, not-for-profits, and municipalities. CEFIA Holdings acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the end users. CEFIA Holdings is also responsible for procuring insurance, operation, maintenance, and warranty services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC or CT Solar Lease 3 LLC. CEFIA Holdings sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 or CT Solar Lease 3 administers the portfolio of projects with the assistance of an outside corporation. CEFIA Holdings is presented in Green Bank's financial statements as a blended unit.

### **CT Solar Loan I, LLC**

CT Solar Loan I is a limited liability corporation wholly owned by CEFIA Holdings and established to make loans to residential property owners for the purchase and installation of photovoltaic equipment. It is presented as a blended unit in Green Bank's financial statements.

### **CEFIA Solar Services, Inc.**

CEFIA Solar Services is a Connecticut corporation, owned by CEFIA Holdings. It was established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic equipment and the sale of energy, as it is the managing member of CT Solar Lease 2 and CT Solar Lease 3. CEFIA Solar Services has an ownership interest in CT Solar 2 and CT Solar Lease 3 (1%) and is the managing member of the entity responsible for performing all management and operational functions pursuant to the operating agreement of CT Solar Lease 2 and CT Solar Lease 3. CEFIA Solar Services is presented as a discrete unit in Green Bank's financial statements.

### **CT Solar Lease 2, LLC**

CT Solar Lease 2 is a Connecticut limited liability corporation that acquires the title to residential and commercial solar projects from the developer, CEFIA Holdings, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners' repayment to CT Solar Lease 2 of their obligations under leases and power purchase agreements, as well as revenue from production-based incentives. CT Solar Lease 2 is owned by an outside-investor-member limited liability company (99%) and by CEFIA Solar Services (1%) as the managing member. This entity is presented as a discrete unit in Green Bank's financial statements.

### **CT Solar Lease 3, LLC**

CT Solar Lease 3 is a Connecticut limited liability company. It was formed to acquire title to commercial solar projects from the developer, CEFIA Holding, using capital from its members. Its primary sources of revenue are from the sale of electricity generated by its solar photovoltaic (PV) facilities to property owners through power purchase agreements and the sale of renewable energy certificates generated from facility electrical production to third parties. It is owned by an outside-investor-member limited liability company (99%) and CEFIA Solar Services (1%) as the managing member. This entity is presented as a discrete unit in Green Bank's financial statements.

### **CGB Meriden Hydro, LLC**

CBG Meriden Hydro, LLC is a single member limited liability corporation created for the purchase and leaseback of a hydroelectric facility. The hydroelectric facility was purchased from the facility's developer, Hanover Pond Hydro LLC (Hanover Pond), pursuant to a sale and leaseback agreement. Hanover Pond remits a monthly lease payment to CGB Meriden Hydro equal to the monthly payment made by the City of Meriden to Hanover Pond for the purchase of electricity generated by the hydroelectric facility. CGB Meriden also receives revenues from the sale of renewable energy credits generated by the facility and

sold to the local utility company under a sales and purchase contract. It is presented as a blended unit in Green Bank's financial statements.

### **CGB KCF LLC**

CGB KCF LLC is a Connecticut corporation owned solely by Green Bank. It was established on November 7, 2017, to hold the loan liability resulting from draws made on a \$3,000,000 loan facility provided by the Kresge Foundation. CGB KCF LLC drew \$1,000,000 in funds held in a restricted Green Bank cash account until January 2020, when it was transferred to Inclusive Property Capital, Inc. (IPC), with the agreement of the Kresge Foundation. IPC has assumed full responsibility for the loan and reporting to Kresge as of January 21, 2020. It is presented as a blended unit in Green Bank's financial statements.

### **SHREC ABS 1 LLC**

SHREC ABS 1 LLC, is a Delaware corporation that is owned solely by Green Bank. It was established on February 19, 2019, to issue \$38,600,000 of SHREC Collateralized Notes, Series 2019-1 (SHREC notes), \$36,800,000 Class A notes, and \$1,800,000 Class B notes, with Bank of New York Mellon acting as trustee. The SHREC notes were sold to a single investor on April 2, 2019. Green Bank used the proceeds to retire its short-term debt and support its investment and operational activities. Green Bank funds quarterly payments of scheduled principal and interest for 14 years by billings to two Connecticut utilities for SHREC revenues generated by approximately 14,000 solar PV systems on residential rooftops. It is presented as a blended unit in Green Bank's financial statements.

### **CT Solar Lease 1 LLC**

CT Solar Lease I LLC is a Connecticut corporation, owned solely by Green Bank. It was established on April 23, 2019, to hold collateral that supports a \$3,500,000 guaranty on a line of credit with Amalgamated Bank. On May 21, 2019, Green Bank assigned its solar lease promissory note portfolio to CT Solar Lease 1. CT Solar Lease 1 receives note payments and maintains a loan loss reserve for the portfolio. It is presented as a blended unit in Green Bank's financial statements.

### **SHREC Warehouse 1 LLC**

SHREC Warehouse 1 LLC is a Connecticut corporation, single member LLC 100% owned by Green Bank, established on April 23, 2019, to collect payments due from Eversource and United Illuminating (UI) pursuant to the Master Purchase Agreement dated July 30, 2018, as amended for the purchase and sale of Solar Home Renewable Energy Credits (SHRECs). SHREC Warehouse 1 LLC acts as the sole borrower under a revolving loan facility provided by Liberty Bank and Webster Bank. Payments due from Eversource and UI are pledged as security for the loans. Loans drawn by SHREC Warehouse 1 LLC are advanced to Green Bank to be used for investment and operational activities. It is presented as a blended unit in Green Bank's financial statements.

## **Board of Directors and Administrative Officials**

Pursuant to Section 16-245n(e) of the General Statutes, the powers of Green Bank are vested in and exercised by a board of directors. The Green Bank board consists of eleven voting and one nonvoting member, each with knowledge and expertise in matters related to the purpose and activities of CGB, and includes four members appointed by the Governor, four members appointed by various legislative leaders, the State Treasurer, and commissioners of the Department of Energy and Environmental Protection (DEEP) and Economic and Community Development (DECD). In addition, the Green Bank president serves on the board in ex-officio, nonvoting capacity. The Governor appoints the chairperson of the board. The board adopts bylaws and procedures it deems necessary to carry out its functions.

In addition, the board set up several committees and subcommittees to assist it in making Green Bank decisions. During the audited period, the CGB board had four standing committees: Audit, Compliance and Governance; Budget and Operations; Deployment; and the Joint Committee of the CT Energy Efficiency Board and the CGB Board of Directors. Bryan Garcia served as president throughout the audited period and continues to serve in that capacity.

## Financial Information

The financial position of Green Bank as of June 30, 2020 and 2021 is presented below. For comparative purposes, the amounts for the fiscal year ended June 30, 2019, are also presented. The financial position of Green Bank as of June 30, 2021, per its audited financial statements, is presented below.

	<b>As of June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>			
Current:			
Cash and Cash Equivalent	\$ 44,136,194	\$ 8,156,093	\$ 18,947,214
Accounts Receivable	3,892,590	3,250,768	1,774,990
Utility Remittance Receivable	2,044,619	2,214,775	1,893,965
Other Receivables	4,445,946	2,298,035	3,004,780
Due from Component Unit	-	-	-
Prepaid Expenses and Other Assets	2,264,815	1,925,122	1,846,104
Current maturities of prepaid warranty management	259,148	259,148	259,148
Current Portion of Solar Lease Notes	990,505	967,530	942,056
Current Portion of SBEA promissory notes	1,185,782	1,549,492	1,709,491
Current Portion of Program Loans	9,038,575	4,396,615	3,756,932
Total Current Assets	<u>68,258,174</u>	<u>25,017,578</u>	<u>34,134,680</u>
Non-Current:			
Portfolio Investments	245,000	1	1
Fair value of interest rate swap	-	-	-
Bonds Receivable	986,792	3,031,134	3,288,656
Prepaid Warranty management, less Current Portion	3,466,587	3,725,735	3,984,883
Solar Lease Notes, less Current Portion	2,969,206	3,979,704	5,361,206
SBEA Promissory Notes, less Current Portion	690,752	968,608	1,799,007
Program Loans, less Current Portion	82,898,451	81,285,206	64,800,014
Renewable Energy Credits	348,716	407,360	468,736
Investment in Component Units	-	-	-
Capital Assets, Net of Depreciation and Amortization	77,148,329	79,971,996	80,523,040
Asset Retirement Obligation, Net	-	-	-
Restricted Assets:			
Cash and Cash Equivalents	20,625,148	14,909,508	16,667,797
Total Noncurrent Assets	<u>189,378,981</u>	<u>188,279,252</u>	<u>176,893,340</u>
<b>Total Assets</b>	<b><u>257,637,155</u></b>	<b><u>213,296,830</u></b>	<b><u>211,028,020</u></b>
<b>Deferred Outflows of Resources</b>			
Deferred Amount for Pensions	4,550,879	6,265,821	7,756,235
Deferred Amount for OPEB	5,238,343	5,189,388	1,732,147
Deferred Amount for Asset Retirement Obligations	2,487,824	2,658,143	2,828,461
Deferred Payments to State of Connecticut	-	-	-
<b>Total Deferred Outflow of Resources</b>	<b><u>12,277,046</u></b>	<b><u>14,113,352</u></b>	<b><u>12,316,843</u></b>

<b>Liabilities</b>			
Current Maturities of Long-Term Debt	6,264,686	4,470,704	4,598,103
Current Maturities of Warranty Management	1,358,476	1,669,539	1,669,539
Accounts Payable and Accrued Expenses	9,680,205	7,897,387	7,873,645
Due to Component Units	-	-	-
Line of Credit	100,000	6,100,000	-
Custodial Liability	1,626,346	1,676,674	2,695,326
Unearned Revenue	721,301	801,261	879,512
Total Current Liabilities	19,751,014	22,615,565	17,716,125
Asset Retirement Obligation	4,018,011	3,919,988	3,824,355
Long-Term Debt, Less Current Maturities	100,023,753	65,404,658	73,028,810
Warranty Management, less Current Maturities	-	187,934	187,934
Fair Value of Interest Rate Swap	699,023	1,164,356	523,224
Pension Liability	20,268,725	25,174,453	25,805,346
OPEB Liability	23,688,513	28,484,971	24,000,448
Payable to State of Connecticut	-	-	-
Total Noncurrent Liabilities	148,698,025	124,336,360	127,370,117
<b>Total Liabilities</b>	<b>168,449,039</b>	<b>146,951,925</b>	<b>145,086,242</b>
<b>Deferred Inflows of Resources</b>			
Deferred Amount for Pension	5,071,624	1,380,337	80,906
Deferred Amount for OPEB	7,227,544	2,336,216	1,895,599
<b>Total Deferred Inflows of Resources</b>	<b>12,299,168</b>	<b>3,716,553</b>	<b>1,976,505</b>
<b>Net Position</b>			
Invested in Capital Assets	5,402,713	4,528,927	3,794,400
Restricted Net Position:			
Nonexpendable	62,273,018	64,388,085	66,901,619
Restricted for Energy Programs	16,881,312	10,585,153	11,537,185
Unrestricted (Deficit)	4,608,951	(2,760,461)	(5,951,088)
<b>Total Net Position</b>	<b>\$ 89,165,994</b>	<b>\$ 76,741,704</b>	<b>\$ 76,282,116</b>

During the fiscal year ended June 30, 2020, total current assets decreased by \$9.1 million. Cash decreased \$10.8 million compared to fiscal year 2019 due to normal operating activities, along with disbursements to contractors for construction of CSCU solar photovoltaic systems and the transfer of a \$1.0 million Kresge Loan to a strategic partner. Total current assets increased by \$43.2 million in fiscal year 2021 primarily from the closing of the 2020-1 and 2021-1 series Green Liberty Bonds during fiscal year 2021.

Current and noncurrent program loans increased by \$17.1 million in fiscal year 2020 due to additional low- and moderate-income lending of \$5.0 million, commercial solar photovoltaic asset sale financing of \$4.1 million, multifamily lending of \$2.7 million, fuel cell financing of \$2.3 million, C-PACE lending facilities of \$1.8 million, C-PACE benefit assessment financing of \$0.6 million, and hydropower financing of \$0.6 million.

Current liabilities increased by \$5.0 million in fiscal year 2020 mainly due to \$6.1 million in draws on the \$14.0 million SHREC Warehouse 1 LLC line of credit with Webster Bank and Liberty Bank. Total liabilities increased \$21.5 million in fiscal year 2021. Long-term debt increased \$34.6 million due to the issuance of the 2020-1 and 2021-1 series Green Liberty Bonds, totaling \$16.8 million and \$24.8 million, respectively.

A schedule of revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2020 and 2021, follows. The financial position of Green Bank as of June 30, 2021, per its audited financial statements, is presented below.

	<b>Fiscal Year Ended June 30,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Operating Revenues</b>			
Utility Remittances	\$ 25,144,416	\$ 24,854,150	\$ 26,094,682
Interest Income – Promissory Notes	6,844,741	6,105,613	3,909,495
Grant Revenue	13,288	76,402	200,779
RGGI Auction Proceeds	6,452,886	4,581,628	2,130,255
Energy System Sales	746,515	4,006,395	2,795,336
REC Sales	12,189,916	9,256,168	6,489,479
Other Income	4,124,886	4,443,242	4,012,334
<b>Total Operating Revenue</b>	<b><u>55,516,648</u></b>	<b><u>53,323,598</u></b>	<b><u>45,632,360</u></b>
<b>Operating Expenses</b>			
Cost of Goods Sold – Energy Systems	746,515	4,006,394	2,877,040
Provision for Loan Losses	238,942	4,962,343	2,908,974
Grant and Incentive Programs	15,879,966	16,343,824	14,671,750
Program Administration Expenses	17,522,836	16,460,756	17,505,206
General and Administrative Expenses	4,003,987	6,936,125	5,722,397
<b>Total Operating Expenses</b>	<b><u>38,392,246</u></b>	<b><u>48,709,442</u></b>	<b><u>43,685,367</u></b>
<b>Operating Income (Loss)</b>	<b><u>7,124,402</u></b>	<b><u>4,614,156</u></b>	<b><u>1,946,993</u></b>
<b>Non-Operating Revenue (Expenses)</b>			
Interest Income-Short Term Cash Deposits	18,861	165,570	416,258
Interest Expense-Long Term Debt	(3,269,115)	(3,395,242)	(1,983,502)
Interest Income – Component Units	-	-	-
Interest Expense – Component Units	-	-	(429)
Debt Issuance Costs	(1,001,139)	(18,800)	(1,738,746)
Payments to State of Connecticut	-	-	(14,000,000)
Distributions to Member	(526,754)	(597,404)	(588,663)
Distribution to Former Member	-	-	(1,000)
Realized and Unrealized Gain (Loss) on Investments	(387,299)	(120,113)	(104,466)
Unrealized Gain (Loss) on Interest Rate Swap	465,334	(641,133)	(694,702)
<b>Total Nonoperating Revenue (Expenses)</b>	<b><u>4,700,112</u></b>	<b><u>(4,607,122)</u></b>	<b><u>(18,695,250)</u></b>
<b>Change in Net Position before Capital Contributions</b>	<b>12,424,290</b>	<b>7,034</b>	<b>(16,748,257)</b>
Capital Contributions	-	452,554	1,695,722
<b>Change in Net Position</b>	<b>12,424,290</b>	<b>459,588</b>	<b>(15,052,535)</b>
<b>Net Position – Beginning of Year</b>	<b>76,741,704</b>	<b>76,282,116</b>	<b>91,334,651</b>
<b>Net Position – End of Year</b>	<b><u>\$ 89,165,994</u></b>	<b><u>\$ 76,741,704</u></b>	<b><u>\$ 76,282,116</u></b>

## Revenues

Total operating revenue increased by \$7.7 million in fiscal year 2020, mainly due to sales of Renewable Energy Credits (RECs), which grew by \$2.8 million due to the inclusion of sales of RECs for Tranche 3 systems to the two public utility companies in Connecticut, and also proceeds from quarterly Regional Greenhouse Gas Initiative (RGGI) auctions. RGGI auction proceeds increased \$2.5 million in fiscal year

2020 due to diversion of proceeds earmarked for the Green Bank into the state's General Fund to meet projected budget shortfalls during fiscal year 2019.

Total operating revenue increased by \$2.2 million in fiscal year 2021, mainly due to sales of RECs, which grew by \$2.6 million as a result of the inclusion of sales of RECs for Tranche 4 systems to the two public utility systems in Connecticut and proceeds from RGGI auctions, which increased \$1.9 million over the year. The growth in RGGI auction proceeds is primarily due to the price per allowance increasing substantially throughout fiscal year 2021 compared to fiscal year 2020. Sales of energy systems decreased \$3.3 million in fiscal year 2021 due to fewer sales of commercial Power Purchase Agreements (PPA) projects to third-party renewable energy companies compared to the prior year.

## **Expenses**

Total operating expenses increased by \$5.0 million in fiscal year 2020. Provision for loan losses increased \$2.1 million in fiscal year 2020 due to higher reserves being provided for a larger program portfolio, as well as reserve growth due to anticipated loan payment deferrals due to COVID-19. Grant and incentive program expenses increased by \$1.7 million primarily due to higher Performance Based Incentive and Expected Performance-Based Buydown solar PV payments under the Residential Solar Investment Program (RSIP).

Total operating expenses decreased by \$10.3 million in fiscal year 2021. Provision for loan losses decreased \$4.8 million in fiscal year 2021 due to higher reserves being provided in the prior year due to anticipated loan payment deferrals as a result of COVID-19. General and administrative expenses decreased by \$2.9 million (42%). Included in general and administrative costs for 2021 and 2020 is \$0.6 million and \$3.6 million the state allocated to the Green Bank for the noncash GASB 68 pension and GASB 75 OPEB expenses, respectively.

## **Other Examinations**

Independent public accountants audited the Connecticut Green Bank's financial statements for the years under review. Those audits provided assurance that the financial statements presented fairly, in all material respects, the financial position of the business-type activities and the discretely presented component units of Green Bank as of June 30, 2020 and 2021, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As an integral part of their financial statement audits, the independent public accountants provided reports on compliance and internal control over financial reporting. The reports disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. The reports on internal control indicated that no material weaknesses in internal control over financial reporting were identified.





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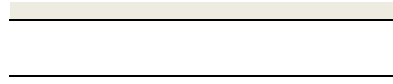
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