# Audit, Compliance and Governance Committee

**MEETING DATE: TUESDAY, MAY 13, 2025 • 8:30AM**

CONNECTICUT GREEN BANK

# Societal Impact Report

**FY12 FY24**

Since the Connecticut Green Bank's inception through the bipartisan legislation in July 2011, we have mobilized more than **$2.88 billion of investment** into the State's green economy. To do this, we used **$409.4 million** in Green Bank dollars to attract $2.47 billion in private investment, a leverage ratio of **$7.00 for every $1**. The impact of our deployment of renewable energy and energy efficiency to families, businesses, and our communities is shown in terms of economic development, environmental protection, equity, and energy (data from FY 2012 through FY 2024).*

## ECONOMIC DEVELOPMENT

**JOBS** The Green Bank has supported the creation of more than **29,248** direct, indirect, and induced job-years.

**TAX REVENUES** The Green Bank's activities have helped generate an estimated **$148.0** million in state tax revenues.

- **$56.4 million** individual income tax
- **$58.0 million** corporate taxes
- **$32.0 million** sales taxes
- **$1.5 million** property taxes

## ENERGY

**ENERGY BURDEN** The Green Bank has reduced the energy costs on families, businesses, and our communities.

**63,300+** *families*

**8,125+** *businesses*

**DEPLOYMENT** The Green Bank has accelerated the growth of renewable energy to more than **707.2 MW** and lifetime savings of over **89.3 million MMBTUs** through energy efficiency projects.

## ENVIRONMENTAL PROTECTION

**POLLUTION** The Green Bank has helped reduce air emissions that cause climate change and worsen public health, including **7.0** million pounds of SOx and **8.7** million pounds of NOx lifetime.

**11.4 MILLION tons of $CO_2$ : EQUALS**

**172 MILLION** tree seedlings grown for 10 years

**OR**

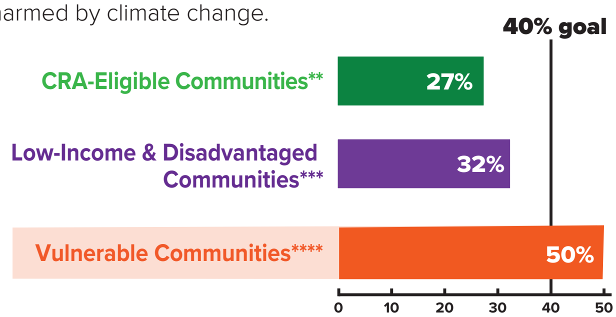
**2.3 MILLION** passenger vehicles driven for one year

**PUBLIC HEALTH** The Green Bank has improved the lives of families, helping them avoid sick days, hospital visits, and even death.

**$218.9 – $494.9 million of lifetime public health value created**

## EQUITY

**INVESTING** in vulnerable communities, The Green Bank has set **goals** to reach **40% investment** in communities that may be disproportionately harmed by climate change.




** Community Reinvestment Act (CRA) Eligible Communities – households at or below 80% of Area Median Income (AMI)

*** Low-Income and Disadvantaged Communities – those within federal Climate and Economic Justice Screening Tool and Environmental Justice Screening Tool

**** Vulnerable Communities – consistent with the definition of Public Act 20-05, including low- to moderate-income communities (i.e., less than 100% AMI), CRA-eligible communities, and environmental justice communities (e.g., including DECD distressed communities)

* Includes projects, deployment, and investments approved, but not yet interconnected under Energy Storage Solutions.

**Learn more by visiting ctgreenbank.com/strategy-impact/societal-impact/**

Winner of the 2017 Harvard Kennedy School Ash Center Award for Innovation in American Government, the Connecticut Green Bank is the nation's first green bank.



Sources: Connecticut Green Bank Comprehensive Annual Financial Reports

# The Green Bank Model

*A Planet Protected by the Love of Humanity*

## 1 Attract Private Investment by Leveraging Public Funding

**Public Funding**
Ratepayer dollars, taxpayer dollars

CONNECTICUT GREEN BANK

**Private Investment**
Individuals, credit unions, banks, bond buyers

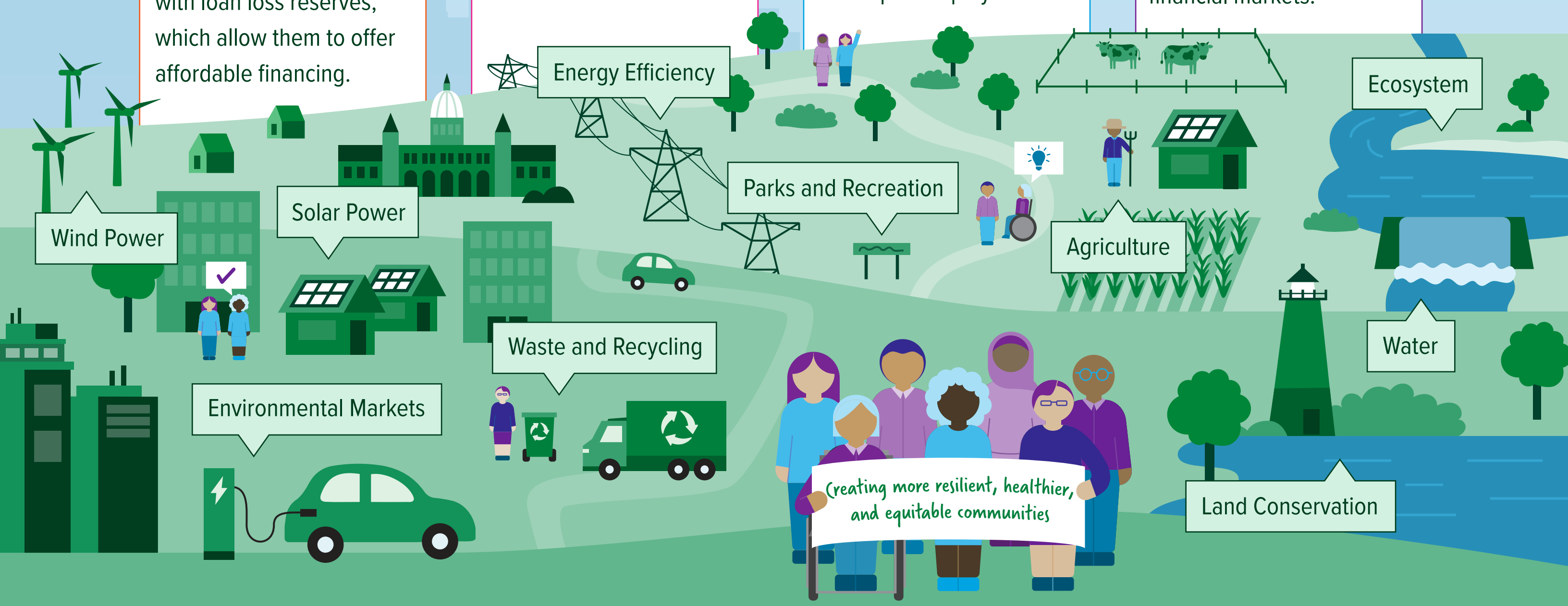
## 2 Apply Innovative Financial Tools to Deploy Investment Towards Our Mission

Generate **credit support** by providing local community banks with loan loss reserves, which allow them to offer affordable financing.

Initiate **co-investment** through public-private partnerships.

Support **performance-based incentives** to increase private investment and capital deployment.

Convert assets into **green bonds and notes** to be bought and sold in the financial markets.




## 3 Deliver Benefits to Connecticut's Families, Businesses, and Communities

### Economic Development
- Creating thousands of jobs
- Generating millions in tax revenue

### Ecological Resilience
- Driving environmental conservation, restoration, stewardship, and resilience

### Energy
- Reducing energy burden by deploying clean energy
- Increasing energy security by deploying clean energy

### Environmental Protection
- Reducing greenhouse gas emissions
- Improving the health of our residents by reducing air pollution

### Equity
- No less than 40% of investment and benefits must reach vulnerable communities

# Audit, Compliance, Governance Committee

## Thomas M. Flynn

Chair of ACG Committee

E: Tom.Flynn@tomflynn.org P: 203-209-0059

Thomas M. Flynn is the Managing Member of Coral Drive Partners LLC, a financial and operations consulting firm serving the Media and Information Services industry. He serves as Chairman of the Board of Finance for the Town of Fairfield, CT and as a member of the Board of Directors of Beardsley Zoo. Mr. Flynn is a graduate of Syracuse University with dual degrees in Accounting from the Whitman School of Business and Broadcast Journalism from the Newhouse School of Communications. Senator John McKinney appointed Mr. Flynn to the Board in July 2012.

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## Matthew Ranelli

Board Member

E: mranelli@goodwin.com P: 860-251-5748

Matthew Ranelli is a partner in the Environment, Energy and Land Use Group at Shipman & Goodwin LLP. Mr. Ranelli represents municipalities, developers, schools, and other end-users regarding on-site renewable energy projects, green building standards, energy conservation and efficiency projects, and managing energy options. Mr. Ranelli is a LEED Accredited Professional. Mr. Ranelli was previously appointed to the Connecticut Clean Energy Fund board in 2009.

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## Dr. Joanna Wozniak-Brown

Board Member

E: Joanna.Wozniak-Brown@ct.gov P: 860-418-6252

Dr. Joanna Wozniak-Brown has nearly two decades of experience in environmental management and planning in Connecticut. Currently, she serves as the Climate & Infrastructure Policy Development Coordinator at the Connecticut Office of Policy & Management. Prior to this role, she was the Assistant Director of Resilience Planning at UConn CIRCA. She earned her Ph.D. in Environmental Studies from Antioch University New England, an M.Sc. from Johns Hopkins University in Environmental Planning, and a B.A. from Drew University in Political Science and Environmental Studies. Dr. Wozniak-Brown has been certified by the American Institute of Certified Planners (AICP) since 2021.

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## Lonnie Reed

Board Chair

E: Lonnie.Reed@ctgreenbank.com P: 203-481-4474

Lonnie Reed serves as the Chair of the Green Bank's Board of Directors. Ms. Reed brings significant experience in environmental policy leadership, job creation, and a deep understanding of the climate challenges facing Connecticut. Reed served in the Connecticut State House of Representatives for five terms, from 2009 to 2019, before choosing not to run for reelection. She also served on the Bi-State NY & CT Long Island Sound Committee and helped lead the successful battle to stop Broadwater, a floating liquefied natural gas plant with a 22-mile pipeline proposed for Long Island Sound. Ms. Reed was appointed as Chair in October 2019 by Governor Ned Lamont.

*Joins on an as needed basis for quorum*

# Audit, Compliance and Governance Committee Meeting Schedule

Tuesday, January 14th 2025

Tuesday, May 13th 2025

Tuesday, October 7th 2025

*all meetings from 8:30am-9:30am

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

CONNECTICUT
GREEN BANK

May 7, 2025

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

We look forward to our meeting on Tuesday, May 13th, via Microsoft Teams (Click here to join the meeting) from 8:30 a.m. to 9:15 a.m. Our agenda will focus on two key items:

1. A recommendation for the **selection of our external auditors**
2. Proposed **revisions to the Loss Decision Process**

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

Sincerely,

Brian Farnen

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, May 13, 2025
8:30 – 9:15 a.m.

Staff Invited: Jane Murphy, Brian Farnen, Dan Smith, Bryan Garcia, Bert Hunter, Mariana Trief, Alex Kovtunenko, Eric Shrago, and James Desantos

Others invites:

1. Call to order
2. Public Comments
3. Approve Meeting Minutes for January 14, 2025* – 5 minutes
4. Update on the CGB Loss Decision Process – 10 minutes
5. Update on the Selection of Audit Firm for Audit Services FY2025-FY2027** – 10 minutes
6. Update on Banking Resolutions - Authorized Signers** – 10 minutes
7. Legislative Session and Regulatory Policy Update – 10 minutes
8. Update on Statutory Report Status – 5 minutes
9. Board of Directors Membership Status Update – 5 minutes
10. 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: 269 847 884 238
Passcode: 8Nt5Sw

Or Call in using your telephone:
Dial + 1 860-924-7736
Phone Conference ID: 465 025 018 #

Next Regular Meeting: October 7, 2025
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, May 13, 2025
8:30 – 9:30 a.m.

Staff Invited: Jane Murphy, Brian Farnen, Dan Smith, Bryan Garcia, Bert Hunter, Mariana Trief, Alex Kovtunenko, Eric Shrago, and James Desantos

Others invites:

1. Call to order

2. Public Comments

3. Approve Meeting Minutes for January 14, 2025* – 5 minutes

   **<u>Resolution #1</u>:**

   Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for January 14, 2025. Second. Discussion. Vote.

4. Update on the CGB Loss Decision Process – 10 minutes – Alex and Mariana

   **<u>Resolution #2:</u>**

   **WHEREAS**, On June 13, 2018 the Connecticut Green Bank ("Green Bank") Board of Directors ("Board") approved a framework and process for funding provisional loss reserves, restructuring, and writing-off transactions on the balance sheet of Green Bank and its subsidiaries, the process was subsequently amended by the Board on April 24, 2020, June 26, 2020, and March 25, 2022 (taken together, being the "Loan Loss Decision Process"); and,

   **WHEREAS**, the staff of the Green Bank proposes certain revisions and clarifications to the Loss Decision Process, as described in the memorandum to the Audit, Compliance, and Governance ("ACG") Committee dated May 6, 2025, and the revised Loss Decision Process attached thereto (the "Revised Loss Decision Process").

   **NOW**, therefore be it:

   **RESOLVED**, that the ACG Committee has reviewed and approved the Revised Loss Decision Process and recommends that the Board approve the Revised Loss Decision Process.

5. Update on the Selection of Audit Firm for Audit Services FY2025-FY2027** – 10 minutes – Dan

   **Resolution #3:**

   **RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval of _______________________ to perform professional audit services for the Connecticut Green Bank for the fiscal years 2025, 2026, and 2027. Second. Discussion. Vote

6. Update on Banking Resolutions - Authorized Signers** – 10 minutes - Jane

   **Resolution #4:**

   **RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the updated list of authorized Green Bank employee positions to sign checks and initiate and release wire or ACH transfers from Green Bank bank accounts in accordance with the established signatory authority as stated in the Green Bank internal control procedures documentation:

   - President and CEO
   - Executive Vice President Finance and Administration
   - Executive Vice President and Chief Investment Officer
   - Executive Vice President, Financing Programs
   - Vice President of Operations
   - Director level (job grade 18) and above members of Accounting Department

   **RESOLVED,** that the Audit, Compliance and Governance Committee affirms that as of the date of this resolution these positions are occupied by the following individuals:

   - President and CEO - Bryan Garcia
   - Executive Vice President Finance and Administration – Jane Murphy
   - Executive Vice President and Chief Investment Officer – Roberto Hunter
   - Executive Vice President, Financing Programs – Michael Dykes
   - Vice President of Operations – Eric Shrago
   - Director level (job grade 18) and above members of Accounting Department – Dan Smith

7. Legislative Session and Regulatory Policy Update – 15 minutes – Brian and James

8. Update on Statutory Report Status – 5 minutes - James

9. Board of Directors Membership Status Update – 5 minutes – Brian

10. 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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Dial + 1 860-924-7736
Phone Conference ID: 465 025 018 #

Next Regular Meeting: October 7, 2025
Connecticut Green Bank, 75 Charter Oak Ave., Suite 1-103, Hartford, CT

# Announcements

- **<u>In-Person Option</u>** – if anyone wants to join future BOD or Committee meetings in person, we are inviting you to our offices in Hartford

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

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

- **<u>Recording Meeting</u>** – we continue to record and post the board meetings.

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

# Audit, Compliance and Governance Committee

May 13, 2025

CONNECTICUT GREEN BANK®

# ACG Meeting

## Agenda Item #1
## **Call to Order**

# ACG Meeting

Agenda Item #2
**Public Comments**

# ACG Meeting

## Agenda Item #3
## **Approve Meeting Minutes for January 14, 2025**

# Agenda Item #3
# Resolution #1

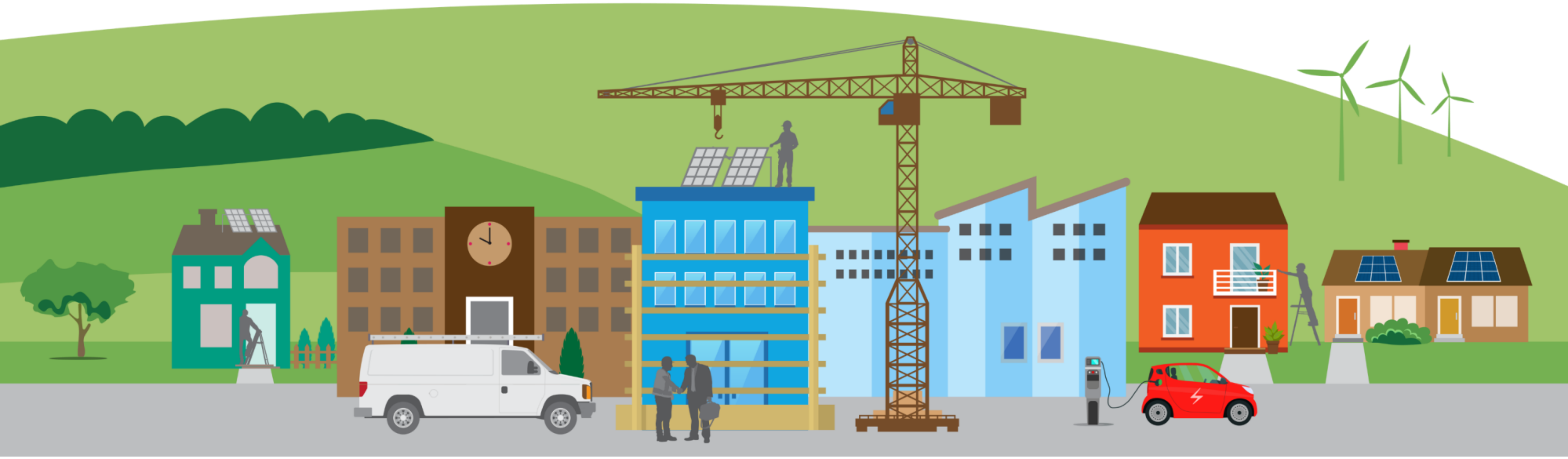
## Meeting Minutes

**<u>Resolution #1</u>:**

Motion to approve the minutes of the Audit, Compliance and Governance Committee meeting for January 14, 2025. Second. Discussion. Vote.

# ACG Meeting

## Agenda Item #4
## **Update on the CGB Loss Decision Process**



# Update on the CGB Loss Decision Process

- **Purpose of the Update**
  - Alignment with the Green Bank's evolving project structures.
  - Address losses associated with commercial solar projects terminated prior to construction completion.
- **Other revisions**
  - Streamlined language and structure to improve consistency, clarity, and flow.
  - Updated list of programs and reserve percentages.
  - Added practical examples to guide implementation and improve usability.

# Project Termination Budget

- Set aside for projects terminated during development.
- Developed by Accounting, Investments & Programs teams; approved in annual Board process.
- Covers unrecoverable costs (e.g., interconnection, permitting, site issues).

| Type of Loss/Modification/Termination | Value of Modification | | |
|---|---|---|---|
| | <$100,000 | $100,000 – $1,000,000 | >$1,000,000 |
| Determining Amount of Provisional Loss Reserve | Staff (with review and reporting from the Auditor) and approval from BOC | | |
| Determining Amount of Project Termination Budget | Staff (with review and reporting from the Auditor) and approval from BOC | | |
| Restructurings | Staff | Deployment | Board of Directors |
| Default Penalties | Staff | Deployment | Board of Directors |
| All Write-Offs. For Project Terminations: if, in aggregate, exceed Project Termination Budget allocation | Staff | Deployment | Board of Directors |
| Only Write-Offs for Project Terminations: if, in aggregate, DO NOT exceed Project Termination Budget allocation | Staff | | |

CONNECTICUT GREEN BANK
BUILDING SOLUTIONS

# Agenda Item #5

# Update on the Selection of Audit Firm for Audit Services FY2025-FY2027

# Update on the Selection of Audit Firm for Audit Services FY2025-FY2027

Under CGS Section 1-127, the Green Bank can contract with the same firm to conduct financial audits for a period not to exceed six consecutive years with a requirement to go out for RFP every three years. The Green Bank's incumbent audit firm has audited the Green Bank's financial statements for a period of three years.

The Green Bank received 5 proposals in response to RFP for Audit services for FY25-FY27 released on 2/7/25:

- PKF O'Connor Davies (incumbent)
- BerryDunn
- Whittlesey
- CliftonLarsonAllen LLP
- Crowe LLP

# Update on the Selection of Audit Firm for Audit Services FY2025-FY2027

An internal team was assembled to review and evaluate the proposals:

- Jane Murphy, EVP Finance and Administration
- Dan Smith, Director of Accounting and Reporting
- Shawne Cartelli, Controller
- Tyler Rubega, Senior Accountant

Each proposal was evaluated based on the following criteria:

- Firm Independence
- Firm License to Practice/Peer Review
- Firm Qualifications and Experience
- Similar Engagements
- Fees
- References

The evaluation team recommends PKF O'Connor Davies to provide professional audit services to the Green Bank for the fiscal years 2025 to 2027.

# Agenda Item #5
# Resolution #2

## Resolution #2:

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval of PKF O'Connor Davies to perform professional audit services for the Connecticut Green Bank for the fiscal years 2025, 2026, and 2027.

# ACG Meeting

## Agenda Item #6

## **Update on Banking Resolutions – Authorized Signers**

# Update on Banking Resolutions - Authorized Signers

Original authority BOD Resolution #6 October 21, 2016 meeting

- President and CEO has authority to setup bank accounts
- BOD authorizes specific Green Bank employees to draw checks and initiate and/or release wires and ACHs

**Current authorized positions:**

- President and CEO
- Vice President Finance and Administration
- Executive Vice President and Chief Investment Officer
- Vice President, Commercial and Industrial Programs
- Managing Director, Statutory and Infrastructure Programs
- Director of Operations

# Update on Banking Resolutions - Authorized Signers

Proposal to update authorized signers to include:

- Director level (job grade 18) and above Accounting Unit members

Allows for:

- Additional coverage while staff is out of the office
- Operating efficiencies since checks over $5,000 require 2 signatures

**Proposed authorized positions**:

- President and CEO
- Executive Vice President Finance and Administration
- Executive Vice President and Chief Investment Officer
- Executive Vice President, Financing Programs
- Vice President of Operations
- Director level (job grade 18) or higher Accounting Unit members

# Agenda Item #6
# Resolution #3

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the updated list of authorized Green Bank employee positions to sign checks and initiate and release wire or ACH transfers from Green Bank bank accounts in accordance with the established signatory authority as stated in the Green Bank internal control procedures documentation:

- President and CEO
- Executive Vice President Finance and Administration
- Executive Vice President and Chief Investment Officer
- Executive Vice President, Financing Programs
- Vice President of Operations
- Director level (job grade 18) and above members of Accounting Department

**RESOLVED**, that the Audit, Compliance and Governance Committee affirms that as of the date of this resolution these positions are occupied by the following individuals:

- President and CEO - Bryan Garcia
- Executive Vice President Finance and Administration – Jane Murphy
- Executive Vice President and Chief Investment Officer – Roberto Hunter
- Executive Vice President, Financing Programs – Michael Dykes
- Vice President of Operations – Eric Shrago
- Director level (job grade 18) and above members of Accounting Department – Dan Smith

Second. Discussion. Vote.

# ACG Meeting

Agenda Item #7

## Legislative Session and Regulatory Policy Update

# ACG Meeting

## Agenda Item #8

# Update on Statutory Report Status

# ACG Meeting

## Agenda Item #9

## Board of Directors Membership Status Update

# Current BOD Members

- **Lonnie Reed (Chair)-** Term remains or until a successor has been appointed
- **Joseph DeNicola (DEEP; Vice Chair) -** ex officio
- **Brenda Watson (Operation Fuel) -** Term remains or until successor has been appointed
- **Matt Ranelli (Shipman & Goodwin)-** Term remains until a successor has been appointed
- **Allison Pincus (DECD) -** ex officio
- **Adrienne Farrar Houel -** Term ends 3/1/25
- ***Laura Hoydick (Mayor Stratford) -** term has ended by resignation (OPEN)
- **Dominick Grant -** Term ends 6/30/25
- **Joanna Wozniak-Brown (OPM)** - ex officio
- **Kim Mooers (OTT)** - ex officio
- **Tom Flynn** - Term remains until a successor has been appointed
- **John Harrity** - Term remains until a successor has been appointed

- ****Position earmarked for a member with experience in investment fund management is open***
- *****All other positions are currently filled***

# Board of Directors

## Agenda Item #11
**Adjourn**

Subject to Changes and Deletions

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

Tuesday, January 14, 2025
8:30 a.m. – 9:15 a.m.

A regular meeting of the Board of Directors of the **Connecticut Green Bank (the "Green Bank")** was held on January 14, 2025.

Committee Members Present: Matthew Ranelli, Lonnie Reed, Joanna Wozniak-Brown

Committee Members Absent: Thomas Flynn

Staff Attending: Shawne Cartelli, James DeSantos, Brian Farnen, Bryan Garcia, Cheryl Lumpkin, Jane Murphy, Ariel Schneider, Dan Smith, Leigh Whelpton

Others present:

**1. Call to Order**

- Brian Farnen called the meeting to order at 8:48 am.

**2. Public Comments**

- No public comments.

**3. Approve Meeting Minutes for October 8, 2024**

**<u>Resolution #1</u>**

Motion to approve the minutes of the Audit, Compliance, and Governance Committee meeting for October 8, 2024.

**Upon a motion made by Lonnie Reed and seconded by Matthew Ranelli, the ACG Committee voted to approve Resolution 1. None opposed or abstained. Motion approved unanimously.**

**4. Legislative and Regulatory Policy Process and Update**

- James DeSantos summarized the legislative process and current session update. It is a Long Session and to date there are 118 proposed bills in the House and 529 proposed bills in the Senate. The Committee process has only just begun. Brian Farnen commented on conversations about legislative items in relation to the expansion into Natural Gas, Nuclear, and Hydro Power. James DeSantos also noted Grid Affordability will be a major priority this session.

  - Matthew Ranelli asked for clarification about the external update meetings. James DeSantos responded that most importantly it's about discussing current bill activity as well as bill screening.
- James DeSantos stated the Green Bank's priority is going to be support Joanna Wozniak-Brown in the Office of Policy & Management in the passage of the Governor's Resilience legislation. Joanna Wozniak-Brown summarized the expectations for the session related to that legislation.
- James DeSantos summarized the Green Monster Bill 2.0 which is the priority within the House.

**5. Update on Statutory Report Status**

- James DeSantos reviewed the Statutory Reporting, which the Green Bank is up to date and in compliance with, then noted the changes for 2025.
- Brian Farnen reviewed the current Board of Directors members and there is 1 currently open position.

**6. Adjourn**

**Upon a motion made by Matthew Ranelli and seconded by Lonnie Reed, the Audit, Compliance, and Governance Committee Meeting adjourned at 9:09 am.**

Respectfully submitted,

_____________________________

Thomas Flynn, Chairperson

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

CONNECTICUT GREEN BANK

# Memo

**To:** Audit, Compliance and Governance Committee of the Connecticut Green Bank

**From:** Mariana Trief, (Director, Investments), Alex Kovtunenko (Deputy General Counsel), Dan Smith (Director of Accounting)

**CC:** Bryan Garcia (President and CEO), Jane Murphy (EVP of Finance), Bert Hunter (EVP and CIO), Eric Shrago (Managing Director of Operations), Mackey Dykes (VP of Financing Programs), Brian Farnen (General Counsel and CLO)

**Date:** May 7, 2025

**Re:** Loan Loss Approval Policy Updated – Write-offs for cancelled commercial solar projects

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## Introduction

On June 13, 2018 the Connecticut Green Bank ("Green Bank") Board of Directors ("Board") authorized and approved a framework and process for funding the provision for loan loss reserve, restructuring, and writing-off transactions held on the Green Bank balance sheet. The process was later amended by the Board on April 24, 2020, June 26, 2020 and March 25, 2022 to include transactions on the balance sheet of Green Bank's subsidiaries and clarify default interest, penalties or fees (taken together, all such Board approvals being the "Loan Loss Decision Process").

The Bylaws of the Green Bank serve as the foundation to establish the Loan Loss Decision Process. Any revisions to the Loan Loss Decision Process should be reviewed by the Audit, Compliance, and Governance (ACG) Committee and the Deployment Committee, and recommended by both Committees for approval by the Board.

The staff conducted a review and revision of the Loan Loss Decision Process that it now presents to the ACG Committee for review and approval. The revisions primarily address the following:

- General clean ups to improve consistency, clarity and flow. The document contained items that read more like a report out instead of a process document, which has now been refined for clarity and purpose. Redundancies were streamlined, the program list and reserve percentages were updated, and more relevant, practical examples were added.
- While the Loan Loss Decision Process addresses Capital Assets and Loans (among others), it does not specifically address situations in which a commercial solar PV project developed by the Green Bank or its subsidiaries needs to be terminated

before construction has been completed. The revised version defines the process for handling projects terminated during development before they are sold or placed in service, outlines the approach for allocating and approving an annual budget for such terminations, and includes clear examples of terminated projects to guide implementation. To address the fact that losses are not limited to loans, but also include capital assets as well as these pre-completion losses, staff determined that the word “loan” should be removed from the name of the process.

Attached to this memorandum is (1) a redline draft of the Loss Decision Process compared to the current Board approved version of the Loan Loss decision Process, and (2) a clean draft of the updated Loss Decision Process inclusive of all staff recommended edits.

## Recommendation

Staff recommends that the ACG Committee approve the revised Loan Loss Decision Process (henceforth to be named the “Loss Decision Process”) attached to this memorandum and recommend the same for approval by the Board per the Green Bank’s bylaws.

## Resolution

**WHEREAS**, On June 13, 2018 the Connecticut Green Bank (“Green Bank”) Board of Directors (“Board”) approved a framework and process for funding provisional loss reserves, restructuring, and writing-off transactions on the balance sheet of Green Bank and its subsidiaries, the process was subsequently amended by the Board on April 24, 2020, June 26, 2020, and March 25, 2022 (taken together, being the “Loan Loss Decision Process”); and,

**WHEREAS**, the staff of the Green Bank proposes certain revisions and clarifications to the Loss Decision Process, as described in the memorandum to the Audit, Compliance, and Governance (“ACG”) Committee dated May 6, 2025, and the revised Loss Decision Process attached thereto (the “Revised Loss Decision Process”).

**NOW**, therefore be it:

**RESOLVED**, that the ACG Committee has reviewed and approved the Revised Loss Decision Process and recommends that the Board approve the Revised Loss Decision Process.

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# ~~Loan~~ Loss Decision Process

**Last updated: ~~March 25, 2022~~ [ ]**

**This document incorporates the Connecticut Green Bank ("Green Bank") Board of Directors ("~~BOD~~Board") approved framework and process for funding the provisional loss reserve, restructuring, and writing-off of transactions, as approved by the ~~BOD~~Board on June 13, 2018 for transaction on Green Bank's balance sheet, amended by the ~~BOD~~Board on April 24, 2020, approved by the ~~BOD~~Board on June 26, 2020 for transactions on the balance sheet of Green Bank's subsidiaries, and amended by the ~~BOD~~Board on March 25, 2022 and [date] (taken together, all such ~~BOD~~Board approvals being the "~~Loan~~ Loss Decision Process").**

## 1. Governance

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The bylaws of the Green Bank provide guidance in terms of managing transactions, and their potential restructuring or write-off. Specifically, the Deployment Committee of the Board of Directors, as outlined in Section 5.3.3 is responsible for:

- "(ii) with respect to loans, loan guarantees, loan loss reserves, credit enhancements… between three hundred thousand dollars ($300,000) and two million five hundred thousand dollars ($2,500,000), evaluation and approval of such requests on behalf of the Board so long as such approval is within the Green Bank's approved Operations and Program Budget,"

- "(iv) oversight of policies and practices relating to the evaluation and recommendation of initial investments, follow-on investments, *investment modifications and restructurings*, and the sale or other disposition of investments by the Authority's professional investment staff,"

- "(v) oversight of policies and practices relating to investment management by the Authority's professional investment staff, including implementation of investment exit strategies,"

- (vi) except to the extent of any investment powers expressly reserved to the Board itself in any resolution of the Board, to approve on behalf of the Board investments, follow-on investments, investment modifications and restructurings, and the sale or other disposition of investments," and

- (viii) the exercise of such authority as may from time to time be delegated by the Board to the Deployment Committee within its areas of cognizance.[1]

The B~~b~~ylaws of the Green Bank serve as the foundation to establishing the ~~Loan~~ Loss Decision Process, not only for the organization, but also its subsidiaries. Such ~~Loan~~ Loss Decision Process should be reviewed, revised (as appropriate) by the Deployment Committee~~,~~ (DC), reviewed and recommended for approval by the Audit, Compliance, and Governance (ACG) Committee, and approved by the Board ~~of Directors of the Green Bank~~.

## 2. Provisional Loss Reserve and Accounting

On an annual basis, the accounting team prepares a detailed analysis of portfolio loans and other transactions by program. This analysis includes a historical analysis of prior year ~~loan~~ write-offs, if any, organized by program, repayment delinquencies, and inquiries ~~of~~with program and finance staff ~~as to~~regarding current developments ~~with borrowers~~related customers that could affect future repayments.[2] Based upon these ~~inquires~~inquiries, the accounting team assigns a ~~loan~~ loss reserve percentage to the balance of ~~loans~~transactions for each program to arrive at a total ~~loan~~ loss reserve for the ~~loan~~ portfolio~~.~~ (each being a "Loss Reserve" for a program). Currently these percentages range from ~~5-20~~0-10% based on the project, product, or program.

The annual ~~loan~~ loss reserve calculation is approved by the Budget and Operations Committee (BOC), and subsequently by the Board, through the annual budget and targets process and reported in the annual audited financial statements. It is also reviewed for reasonableness by the Green Bank's audit firm as part of the annual audit process.

~~Here are a few examples for how loan losses are reserved for specific products and programs on the balance sheet of the Green Bank and its subsidiaries:~~

Current loss reserves for existing programs are set forth below, as may be updated from time to time:
:

- **C-PACE** – ~~through~~secured by a benefit assessment on a property in a C-PACE participating community, ~~capital providers~~Green Bank may finance ~~clean energy~~ projects on commercial, industrial, multifamily, and nonprofit buildings for measures consistent with the Comprehensive Energy Strategy~~. These assessments average~~ and C-PACE guidelines. ~~$300,000, with interest rates up to 6.5 percent, and terms up to 25 years.~~

  Loan losses are reserved for C-PACE transactions by ~~currently~~ allocating **10%** of the principal value outstanding of the C-PACE portfolio at the end of the fiscal year.

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[1] The Board of Directors may also delegate certain responsibilities to the President and the other officers of the Green Bank as they believe are desirable to permit the timely performance of the functions of the Green Bank and to carry out the policies of the Board – See Green Bank Bylaws Sections 2.5 (Delegation of Powers) and 3.2 (President). For example, on October 20, 2017, per the memo dated October 13, 2017, the Board of Directors delegated the power for officers to approve transactions up to $500,000 in value as long as they are consistent with the Comprehensive Plan and Budget.

[2] It should also be noted that the Comprehensive Annual Financial Review (CAFR) also includes a "high level" breakdown of delinquencies and defaults by financing product or program.

- **Project Finance**~~– there~~ **/Capital Solutions Loans** – These loans are ~~transaction opportunities for~~ provided to owners of clean energy ~~investment in specific~~portfolios or projects ~~that the Green Bank provides a loan for~~, including solar, fuel cells, wind, hydro, and anaerobic digesters ~~to name a few~~.

  Loan losses are reserved for ~~special projects~~ by allocating a range of **5%-**~~20~~**10%** of the principal value outstanding of the various project loans at the end of the fiscal year, depending on the technology and credit of the borrower.

- **Smart-E Loan** – through the Energize CT initiative with Eversource Energy and Avangrid, in collaboration with Connecticut's community banks, credit unions, and community development financial institutions, the Green Bank provides a second loan loss reserve of up to 7.5 ~~percent~~% of principal for residential loans in projects that support the Green Bank's Comprehensive Energy Strategy~~. These loans are up to $40,000 in principal, with interest rates not to exceed 6.99 percent, and terms of up to 20 years~~.

  In the Smart-E Loan program, loan losses are reserved for ~~the Smart-E Loan~~ by setting aside 7.5% of the original principal value of the Smart-E Loan portfolio as restricted cash. ~~Also, when~~ When 1.5% of ~~losses are~~the original principal value of a lender's portfolio is exceeded ~~with the program partner lenders, then the Green Bank accesses the restricted cash~~in losses, losses will be paid to ~~pay~~that lender up to the 7.5% ~~of additional losses within their portfolio~~maximum that was previously set aside.

- **SBEA** – through an on-bill loan program administered by Eversource Energy, capital provided by Amalgamated Bank (i.e., 80-90% of the capital structure) and the Green Bank (i.e., 10-20% of the capital structure), small businesses are provided 0% interest rate loans (i.e., interest rate bought down to zero to the customer). ~~Through FY 2019, there were 4,339 loans totaling $43.2 million (i.e., of which $4.5 million is from the Green Bank), with an average loan size of about $10,000 with up to 4-year terms.~~

  These loans are protected from losses by the Conservation and Load Management Plan~~.~~, therefore no loan losses are reserved by Green Bank.

- **Commercial Solar Loan:** these are loans to non-residential property owners (commercial, non-profit, municipal, affordable multi family) for the deployment of onsite solar systems that will sell all the energy and environmental attributes generated by the solar to the utility through the Non-Residential Renewable Energy Solutions or Residential Renewable Energy Solutions programs.

  Loan losses are reserved for Commercial Solar Loan transactions by allocating **10%** of the principal value outstanding of the Commercial Solar Loan portfolio at the end of the fiscal year.

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- **Residential Solar Loan** – through a residential solar loan product in partnership with Sungage Financial, the Green Bank ~~provided~~provides low-cost and long-term debt to financial residential rooftop solar PV. ~~Of the $6.0 million in assets supported through this product on nearly 300 homes, $3.6 million have been sold to various third parties (i.e., Mosaic and The Reinvestment Fund).~~

  ~~These loans have no loan loss reserve.~~

  Loan losses are reserved for Residential Solar **PPA** ~~– through a power purchase agreement (PPA),~~ Loan transactions by allocating 5-10% of the principal value outstanding of the portfolio, depending on the portfolio, at the end of the fiscal year.

- **Solar Lease or PPAs** –the Green Bank ~~provides debt into the capital structures for~~owns residential and commercial-scale solar PV projects (e.g., municipal, schools, nonprofits, etc.). ~~The PPA price for these projects is typically~~These projects have a customer offtake agreement such as a site leases or a power purchase agreements (PPA) where the customer host saves (or receives equivalent financial benefit) about 20-30% ~~less than the~~ of their retail ~~rate of electricity paid by the end-use customers. Through FY 2019, there were 123~~electric cost. Operational projects ~~totaling $102.6 million (i.e., of which $28.0 million is from~~ are classified as capital assets in the Green Bank~~), with an average investment of $835,000 for 20-year PPAs~~ financials.

  ~~These~~Solar Lease or PPAs have no loan loss reserve.

### 3. Budget for Project Terminations

On an annual basis~~**Loan Loss**~~, the Accounting team, in collaboration with the Investments and Financing Programs teams, determines a budget allocation—referred to as the "Budget for Project Terminations"—for projects developed by the Green Bank that may be terminated during development prior to the project either being sold to another entity or finalized, placed in service, and recorded as capital assets in Green Bank's balance sheet (such project being a "Terminated Project").

As with the Loan Loss Reserves, the annual determination of the Budget for Project Terminations is approved by the BOC, and subsequently by the Board, through the annual budget and targets process.

The current programs for which a Budget for Project Terminations is allocated are listed below and may be updated from time to time:

- **Solar Development** - The Green Bank and its subsidiaries develop commercial solar projects at municipal, state, business, nonprofit, and affordable multifamily properties (each being a Commercial PPA/Lease Project). As part of the development process, Green Bank enters into offtake agreements, such as a PPA or a site lease, with utility

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customer hosts. Additionally, an Engineering, Procurement, and Construction (EPC) agreement is executed with a solar installation company. A Commercial PPA/Lease Project may be terminated after incurring EPC or project-specific costs due to factors like high interconnection costs, permitting issues, or unfavorable site conditions. In such cases, incurred development costs are usually non-recoverable, and the project is classified as a Terminated Project.

An expense budget category for Terminated Projects is established and approved annually through the budget process.

### 4. Loss Decision Process

~~In order to develop processes for~~ In determining how losses ~~will be determined with regards to~~should be processed for any transactions on the Green Bank balance sheet and the balance sheets of its subsidiaries, there are two ~~(2)~~ key components~~ –~~: (1) the value of the modification and, (2) the type of loss anticipated ~~that help formulate the process~~or incurred.

~~In assessing the threshold~~**Value of Loss/Modification**

Green Bank senior staff (Staff) shall determine the value of the loss/modification~~,~~ based on the underlying facts, circumstances and characteristics of the ~~Green Bank staff identified~~asset, the following ~~options~~are potential considerations:

- **Principal Outstanding** – the type of loss anticipated should apply to only the amount of the principal outstanding of the transaction and lost interest revenue;
- ~~**Original Principal Value**~~ **Valuation** – the type of loss ~~anticipated~~ should apply to the ~~original principal value~~valuation of the ~~transaction~~capital asset; or
- ~~**Value of the**~~ **Modification Amount** – the type of loss anticipated should apply only to the proposed ~~value of the~~ modification amount of the transaction~~.~~.

~~To be consistent with the Loan Loss Decision Process, the Green Bank staff recommends that the value of the modification to assets should apply to the principal outstanding of the transaction as opposed to the (i) value of the original principal, or (ii) value of the modification.~~

~~The Green Bank staff has identified three different types of losses anticipated, including:~~

- ~~**Provisional Loss Reserve** – as determined by the Budget and Operations Committee through the annual budget and targets process and reported in the annual audited financial statements;~~

**Types of Losses/Modifications**

Staff shall determine the type of loss/modification based on the underlying facts, circumstances and characteristics of the asset. The categories of losses/modifications are as follows:

- **Restructuring** – a ~~unique action or decision to modify the~~ modification of principal, interest, term, and/or other ~~relevant~~material component of a transaction~~; and/or~~ beyond the scope of the original transaction approval authorization. For the avoidance of doubt,

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**Formatted:** Normal, Indent: Left: 0.25" any amendment of a transaction within the original approval authorization is not considered a restructuring (e.g. amendment of C-PACE loan terms within standard rate and term schedule, or EPC amendment for increased project cost);

- **Write-Off** – a ~~policy or procedural~~ determination that an asset is impaired ~~as~~(may be a result of ~~it being delinquent and subsequently in~~ongoing delinquency, default ~~where it is~~, or Terminated Project) and deemed that it is unlikely for a material recovery of the principal~~.~~, or intended return on the receivable or capital asset; and

- **Default Penalty Waiver** – a modification or waiver of default interest, fees or other default penalties which may be due to Green Bank arising from a default by a Green Bank counterparty. For the avoidance of doubt, an amendment of a transaction which may have the effect of reducing default interest, fees, or other penalties which is within the original approval authorization and not considered a default penalty waiver.

Each of these types of losses/modifications should be handled in a specific manner depending upon the value of the ~~principal outstanding amount of the transaction, as well as whether or not the transaction was restructured as a result of the COVID-19 pandemic –~~loss/modification, see Table ~~2~~1.

**Table ~~2. Loan~~1. Process to determine Loss Decision ~~Process~~ or Project Termination based on ~~Principal Amount Outstanding vs.~~Value and Type of Loss ~~Anticipated~~/Modification**

| **Type of Loss ~~Anticipated~~/Modification/Termination** | **~~Amount~~Value of ~~Principal Outstanding~~Modification** | | |
|---|---|---|---|
| | **<$100,000** | **$100,000 – $1,000,000** | **>$1,000,000** |
| Determining Amount of Provisional Loss Reserve | Staff (with review and reporting from the Auditor) and approval from BOC | | |
| Determining Amount of Project Termination Budget | Staff (with review and reporting from the Auditor) and approval from BOC | | |
| Restructurings ~~Restructuring~~ | Staff | Deployment | Board of Directors |
| ~~Restructuring COVID-19~~Default Penalties | Staff | Deployment | ~~(1) Staff for certain program transactions (see below)~~ ~~(2)~~ Board of Directors ~~for all other transactions~~ |
| ~~Write-Off~~All Write-Offs. For Project Terminations: if, in aggregate, exceed Project Termination Budget allocation | Staff | ~~ACG~~Deployment | Board of Directors |
| Only Write-Offs for Project Terminations: if, in aggregate, DO NOT exceed Project Termination Budget allocation | Staff | | |

~~The proposed amount of principal outstanding value for Staff approval of provisional, restructuring, and write-offs is intended to be overly conservative with respect to Staff authority.~~

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~~while appropriately reporting out any unusual activity or trends to the Deployment Committee and Board of Directors.~~

Staff will review and approve any modifications within the Staff approval limited set forth above, ensuring proper documentation and approval through the standardized Approval Release Slip (ARS) internal process. Any such ARS will include a memo detailing the project/asset, the proposed loss/modification, the calculation of the loss/modification, any mitigation actions, and any preventative measures for avoiding such issues in the future. Additionally, Staff will report out on any losses/modifications approved pursuant to staff authority to DC or Board.

In between report outs~~, staff~~ to the Board or DC, Staff will only be able to review and approve in aggregate up to $500,000 of ~~adjustments.~~ the following loss/modifications: Restructurings, Default Penalties, and Write-Offs. In other words, the ~~Loan~~ Loss Decision Process allows staff to review and approve ~~of transaction~~ losses/modifications "Up to $100,000 and No More in Aggregate than $500,000" between report outs to ~~the~~ DC or Board. For Project Terminations, staff will be able to review and approve write offs which, in aggregate, do not exceed~~Deployment Committee. Given that the Deployment Committee approves of transactions greater than $500,000 and less than $2,500,000, and the ACG Committee oversees the accounting and auditing of assets on the financial statements of the Green Bank, transactions requiring a write-off would be thro~~
~~ugh the ACG Committee after legal remedies have been pursued by staff on the impaired asset in question.~~

~~It should be noted, that as a result of~~ the ~~COVID-19 pandemic, that transactions requiring restructuring, follow this process:~~Project Termination Budget.
~~Notwithstanding~~

~~a)~~ **Applying** the ~~proposed $1,000,000 staff approval limit above, given the strength and security of the asset class, staff approvals specific to the following programs can be for any amount of principal outstanding:~~

- ~~C-PACE~~
- ~~C-PACE with Green Bank PPA~~
- ~~Green Bank Solar PPA projects for municipality, housing authority or school district~~

~~b) All COVID-19 staff restructurings are limited to a maximum of 6-month deferrals except in rare cases of certain towns where C-PACE assessments are collected annually – the accommodation in such cases would be for one year.~~

~~Modification or waiver of default interest, penalties or fees for any transaction should be handled in a manner depending upon the value of the modified or waived amount of such default interest, penalties or fees, as set forth in the table below.~~

~~Table 3. Loan~~ *Loss Decision Process* ~~for Modification or Waiver of Default Interest, Penalties or Fees~~

| ~~Amount of Default Interest, Penalties and Fees Modified or Waived~~ | | |
|---|---|---|
| ~~<$100,000~~ | ~~$100,000 – $1,000,000~~ | ~~>$1,000,000~~ |

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| ~~Staff~~ | ~~Deployment~~ | ~~Board of Directors~~ |
|---|---|---|

~~This is the Staff proposed Loan Loss Decision Process for the transaction of Green Bank and its subsidiaries for consideration by the Deployment Committee, Audit Compliance and Governance Committee, and the Board of Directors.~~

## ~~Example~~: Transaction ~~Application to the Loan Loss Decision Process~~ Examples

~~To apply the Loan Loss Decision Process, here are a few~~ The following example transactions illustrate how the Loss Decision Process is applied.

*Example Transaction #1 – Smart-E Loan*

The first example transaction is a residential loan through the Smart-E Loan Program that is in default – see Table ~~4~~3.

**Table ~~4.~~3. Smart-E Loan – Write-Off**

| | |
|---|---|
| **Program** | Smart-E Loan |
| **Original Principal** | $34,000 |
| **Outstanding Principal** | $25,000 |
| **Value of Modification/Loss** | $25,000 |
| **Type of Modification/Loss ~~Anticipated~~** | Write-Off |
| **Loss Reserve** | 7.5% of the original principal value of the Smart-E Loan portfolio |
| **Approving Authority** | Staff |

~~Since the amount of the principal outstanding is less than $100,000, then the Staff would be approving this type of loss.~~ In this situation, with regards to the Smart-E Loan, as long as the partner lender has exceeded their 1.5% of losses within their loan portfolio and is seeking to access the 7.5% second loss from the Green Bank per our agreement, then the Staff can write-off the outstanding principal amount of the transaction by paying off the loss through the use of restricted cash in the loan loss reserve account set aside for the Smart-E Loan program.

*Example Transaction #2 – C-PACE*

The second example transaction is a C-PACE benefit assessment that requires restructuring – see Table ~~5~~3.

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**Table ~~5~~3. C-PACE – Restructure**

| | |
|---|---|
| **Program** | C-PACE |
| **Original Principal** | $1,250,000 |
| **Outstanding Principal** | $1,100,000 |
| **~~Type~~Value of Modification/Loss ~~Anticipated~~** | ~~Restructuring~~$1,100,000 |
| **~~Approving Authority~~Type of Modification/Loss** | Restructuring~~Deployment Committee~~ |
| **Approving Authority** | Board |

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Since ~~the amount of principal outstanding is~~it's a restructuring with a value greater than $1,000,000, ~~then~~ this ~~transaction~~restructuring would have to be reviewed and approved by the Board of Directors.

*Example Transaction #3 – Onsite Distributed Generation Grant by the Connecticut Clean Energy Fund*

The third example transaction is a grant provided by the Green Bank predecessor, the Connecticut Clean Energy Fund. In this example, a project host has committed to onsite clean energy for a contractual period of time, however, it may seek to modify that preexisting agreement. There are no assets on the balance sheet from this transaction – see Table ~~6~~4.

**Table ~~6~~4. Onsite Distributed Generation Grant Program – Restructuring**

| | |
|---|---|
| **Program** | Onsite DG Program |
| **Original ~~Principal~~Grant** | $250,000 |
| **Outstanding ~~Principal~~Grant Obligation** | $75,000 |
| **Value of Modification/Loss** | $75,000 |
| **Type of Modification/Loss ~~Anticipated~~** | Restructuring |
| **Approving Authority** | Staff |

Since the project is not an asset on the balance sheet of the Green Bank, and the principal outstanding value is less than $100,000, then the staff could review and approve of this transaction modification. Had the principal value of the outstanding principal in the contract exceeded the Staff authority to restructure, the proposed revision would have had to have been approved by the Deployment Committee or the Board of Directors.

*Example Transaction #4 – Fuel Cell Project*

The fourth example transaction is a loan for a fuel cell project that is a write-off – see Table ~~7~~5.

**Table ~~7~~5. Fuel Cell Project – Write-Off**

| | |
|---|---|
| **Program** | Fuel Cell |
| **Original Principal** | $5,000,000 |
| **Outstanding Principal** | $2,750,000 |
| **Value of Modification/Loss** | $2,750,000 |
| **Type of Modification/Loss ~~Anticipated~~** | Write-Off |
| **Approving Authority** | Board of Directors |

~~Given that all projects greater than $1,000,000 have to be reviewed and approved the Board of Directors, the write-off of this transaction, whose principal balance outstanding is~~As a write-off with a loss value of $2,750,000, this would have to go to the Board of Directors for review and approval.

*Example Transaction #5 – Multifamily Predevelopment Loans*

The fifth example transaction is a predevelopment loan for a multifamily project that is a restructuring or write-off – see Table ~~8~~6.

**Table ~~8~~6. Multifamily Predevelopment Loan Project – Restructuring or Write-Off**

| | |
|---|---|
| **Program** | Multifamily |
| **Original Principal** | $50,000 |
| **Outstanding Principal** | $50,000 |
| **Value of Modification/Loss** | $50,000 |
| **Type of Modification/Loss ~~Anticipated~~** | Restructuring or Write-Off |
| **Approving Authority** | Staff |

The Multifamily predevelopment programs lend funds to identify and build out project plans. The funds are typically not repaid until a term loan to cover the actual project is in place and the predevelopment loan is repaid with the proceeds of the term loan. On some occasions, the outstanding balance of the predevelopment loan is written off or restructured as the term loan is agreed to ensure that the economics of a project work by staff. Given the size of the loan, the restructuring and loan forgiveness is handled by staff.

*Example Transaction #6 – CT Solar Loan*

The first example transaction is a residential loan through the CT Solar Loan Program that is in default – see Table ~~9~~7.

**Table ~~9~~7. CT Solar Loan – Write-Off**

| **Program** | CT Solar Loan |
|---|---|
| **Original Principal** | $30,000 |
| **Outstanding Principal** | $22,500 |
| **Value of Modification/Loss** | $22,500 |
| **Type of Modification/Loss ~~Anticipated~~** | Write-Off |
| **Approving Authority** | Staff |

Since the ~~amount~~value of the ~~principal outstanding~~loss is less than $100,000, then the Staff would be approving this type of loss. In this situation, with regards to the CT Solar Loan, as long as all legal remedies have been pursued to collect the loan, then the Staff can write-off the outstanding principal amount of the transaction by paying off the loss through the use of restricted cash in the loan loss reserve account set aside for the CT Solar Loan.

*Example Transaction #7 – Solar PPA Project ~~during COVID-19~~ Secured by C-PACE*

The second example transaction is a Solar PPA (i.e., secured by C-PACE~~), that~~ ). A portion of the system suffered damage and will need to be removed, therefore the transaction t requires restructuring ~~as a result of the COVID-19 pandemic~~ – see Table ~~10.~~8. The value of the modification is calculated as the cost to remove a portion of the system and the decrease in revenue associated with portion of the system that was removed.

**Table ~~10~~8. Solar PPA – Restructure**

| **Program** | Solar PPA |
|---|---|
| **Original ~~Principal~~Capital Asset Value** | $~~1~~3,250,000 |
| **Gross Expected Revenue** | $600,000 |
| **Cost to remove** | $500,000 |
| **~~Outstanding Principal~~Value of Modification/Loss** | $1,100,000 |
| **Type of Modification/Loss ~~Anticipated~~** | Restructuring ~~– COVID-19~~ |
| **Approving Authority** | ~~Staff~~Board |

~~Since this transaction has been adversely impacted by the COVID-19 pandemic, and~~Since the PPA is secured by C-PACE, then this transaction would be reviewed and approved by the ~~Staff (i.e., instead of the~~ Board of Directors~~) and reported out to the Board of Directors.~~.

~~Had this transaction restructuring not been secured by C-PACE, then the review and approval of the Board of Directors would have been required.~~

*Example Transaction #8 – Hydroelectric PPA ~~during COVID-19~~*

The third example transaction is the issuance of a Clean Renewable Energy Bond (CREB) to finance a 193-kW hydroelectric facility. In this example, the purchaser of the power is unable to pay its PPA ~~due to the impact of COVID-19~~ – see Table ~~11~~9.

**Table ~~11~~9. Hydroelectric Facility PPA with Bond Financing – Restructuring**

| | |
|---|---|
| **Program** | Project Finance – Bond |
| **Original Principal** | $3,000,000 |
| **Outstanding Principal** | $2,798,331 |
| **Value of Modification/Loss** | $2,798,331 |
| **Type of Modification/Loss ~~Anticipated~~** | Restructuring ~~– COVID-19~~ |
| **Approving Authority** | Board |

| | |
|---|---|
| Since the value of the modification~~**Approving Authority**~~ | ~~Board~~ |

~~Despite the town being adversely impacted by COVID-19, since the principal outstanding on the bond~~ is greater than $1,000,000, any restructuring of the transaction would require the review and approval of the Board of Directors. And since the bond uses the Special Capital Reserve Fund (SCRF) of the State of Connecticut, additional steps will be required to support self-sufficiency if the PPA payment is forgiven ~~due to COVID-19~~.

*Example Transaction #9 – ~~State of Connecticut PPA~~Site Lease with an Affordable Multifamily property*

~~The fourth example transaction is the issuance of a CREB to finance a portfolio of solar PV projects on state facilities. In this example, the purchaser of the power is unable to pay its PPA – see Table 12.~~

This example involves a Commercial PPA/Lease Project in which a site lease was executed with an affordable multifamily property owner and an EPC agreement was signed with the installer. The installer conducted preliminary work, including design and structural assessments. However, the project was ultimately unable to proceed due to a failure to meet structural requirements. As a result, both the PPA and the EPC agreement were terminated while the project is in development and is considered a receivable asset. For further details, refer to Table 10.

**Table ~~12~~10. Solar ~~PV Facilities PPA with Bond Financing – Restructuring~~Site Lease Project Terminated**

| | |
|---|---|
| **Program** | ~~Project Finance – Bond~~Solar PPA/Lease Development |

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| | |
|---|---|
| **Original ~~Principal~~EPC Contract Sum** | $~~9,350~~500,000 |
| **~~Outstanding Principal~~Value of Modification/Loss** | $~~9,101,729~~25,000 |
| **FY approved Project Termination Budget** | $300,000 |
| **Previously approved Terminated Projects in the FY** | $100,000 |
| **Type of Modification/Loss ~~Anticipated~~** | ~~Restructuring~~Terminated Project |
| **Approving Authority** | ~~Board of Directors~~Staff |

~~Since the principal outstanding on the bond is greater than $1,000,000, any restructuring of the transaction would require the review and approval of the Board of Directors. And since the bond uses the Special Capital Reserve Fund (SCRF) of the State of Connecticut, additional steps will be required to support self-sufficiency if the PPA payment is forgiven.~~

**~~Applying Loan Loss Decision Process~~**

~~The following is a breakdown of the proposed processes for using the Loan Loss Decision Process for Green Bank and its subsidiaries:~~

**~~Process #1 – Provisional Loss Reserve~~**

As the aggregate amount of Terminated Projects for the fiscal year, including the value of this Terminated Project, remains below the Project Termination Budget allocation for the fiscal year, this termination would require staff review and approval.

*Example Transaction #10 – Solar PPA with a Municipality*

This example involves a Commercial PPA/Lease Project in which a PPA was executed with a municipality, and an EPC agreement was signed with the installer. The installer completed initial designs and prepared drawings required for the interconnection application. However, the project could not move forward due to interconnection costs that were not economically feasible for the project. Consequently, both the PPA and the EPC agreement were terminated while the project is in development and considered a receivable asset. For additional information, refer to Table 11.

**Table 11. Solar Site Lease Project Terminated**

| | |
|---|---|
| **Program** | Solar PPA/Lease Development |
| **Original EPC Contract Sum** | $700,000 |
| **Value of Modification/Loss** | $40,000 |
| **FY approved Project Termination Budget** | $300,000 |
| **Previously approved Terminated Projects in the FY** | $280,000 |
| **Type of Modification/Loss** | Termination |
| **Approving Authority** | Deployment |

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As the aggregate amount of Terminated Projects for the fiscal year, including the value of this Terminated Project, is greater than the approved Project Termination Budget allocation for the fiscal year, this termination would require review and approval by the Deployment Committee.

*Example Transaction #12 – Solar PPA with damage*

This example involves a Commercial PPA/Lease Project that after being finalized and in operation during 5 years suffered damage and costs to restore and reinstall were cost prohibitive. Therefore the project which is a capital asset under Green Bank's balance sheet. The value of the modification include the amount in gross expected revenue along with any cost associated with removing the system. For additional information, refer to Table 13.

**Table 13. Solar Site Lease Project Terminated**

| | |
|---|---|
| **Program** | Solar PPA/Lease Development |
| **Original EPC Contract Sum** | $500,000 |
| **Gross Expected Revenue** | $250,000 |
| **Cost to remove** | $100,000 |
| **Value of Modification/Loss** | $350,000 |
| **Type of Modification/Loss** | Write-off |
| **Approving Authority** | Deployment |

Since the write off amount is more than $100,000 but less than $350,000, then the Staff would require approval from the Deployment committee to approve this type of loss.

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~~On an annual basis the accounting team prepares a detailed analysis of portfolio loans by program. This analysis includes a historical analysis of prior year loan write-offs, if any, by program, repayment delinquencies and inquiries of program and finance staff as to current developments with borrowers that could affect future repayments. Based upon these inquires the accounting team assigns a loan loss reserve percentage to the balance of loans for each program to arrive at a total loan loss reserve for the loan portfolio. Currently these percentages range from 0-20% based on the project, product, or program.~~

~~The annual loan loss reserve calculation is reviewed for reasonableness by the Green Bank's audit firm as part of the annual audit process.~~

~~On a quarterly basis, with the assistance of Program and Finance Staff, the Accounting Team would make appropriate interim adjustments to the provisional loss reserve.~~

~~**Process #2 – Restructuring Transactions**~~
~~A transaction undergoing a restructuring would undergo the following process:~~

1. ~~**Restructuring Calculation** – staff requesting a change in a previously approved transaction, must calculate the following:~~
    a. ~~**Original Investment** – show the cash flow of expected principal and interest payments over the term of the transaction, including the calculation of the net present value of the transaction;~~

b. ~~**Proposed Restructured Investment** – show the cash flow of expected principal and interest payments over the term of the transaction, including the calculation of the net present value of the transaction; and~~

c. ~~**Comparison** – compare the original to the restructured investment to document any changes in cash flow and net present value.~~

2. ~~**Documentation** – staff requesting a change must document in a memo the reason for the proposed modification (i.e. COVID-19), a description of the project, the calculation showing the original and restructured investment and their comparisons, and preventative measures for avoiding such issues in the future (for COVID-19 related restructurings, rather than a description of preventative measures for avoiding such issues in the future, the staff includes a signed letter from the borrower requesting the restructuring due to COVID-19);.~~

3. ~~**Review and Approval** – the documentation must be reviewed and approved by the appropriate authority, including:~~

   a. ~~**Staff** – for principal balances less than $100,000 (unless a COVID-19 related transaction, then up to $1,000,000 for specific types of transactions), senior staff would review and approve and documented through the ARS process;~~

   b. ~~**Deployment Committee** – for principal balances greater or equal to $100,000 and less than $1,000,000, Deployment Committee would review and approve the transaction; or~~

   c. ~~**Board of Directors** – for principal balances greater than $1,000,000, the Board of Directors would review and approve the transaction.~~

4. ~~**Reporting** – if a transaction receives the approval from the appropriate authority to be restructured, then the details should be reported in a quarterly memo and made available on an ongoing basis to the Deployment Committee and/or the Board of Directors. If the restructured transaction was related to COVID-19, then staff would specifically breakout the transactions in the quarterly memo that were restructured as a result of COVID-19 for reporting and tracking purposes, and staff will report out more frequently to the Board of Directors on COVID-19 related transaction restructurings.~~

~~**Process #3 – Write-Off Transactions**~~

~~A transaction undergoing a write-off would undergo the following process:~~

1. ~~**Write-Off Calculation** – staff requesting a write-off in a previously approved transaction, must calculate the following:~~

   a. ~~**Project Finance** – the amount of outstanding principal and lost interest revenue from the original transaction.~~

   b. ~~**Smart-E Loan** – the amount of first losses (i.e., up to 1.5% of their portfolio) incurred by the participating lender, and the amount of second loan loss reserves (i.e., up to 7.5% of their portfolio) available through the Green Bank.~~

2. ~~**Documentation** – staff requesting a write-off must document the reason for the write-off including a description of the project, the calculation showing the value of the write-off, and preventative measures for avoiding such issues in the future.~~

3. ~~**Review and Approval** – the documentation must be reviewed and approved by the appropriate authority, including:~~

    a. ~~**Staff** – for principal balances less than $100,000, senior staff would review and approve and documented through the ARS process;~~

    b. ~~**Audit, Compliance and Governance Committee** – for principal balances greater or equal to $100,000 and less than $1,000,000, ACG Committee would review and approve the transaction; or~~

    c. ~~**Board of Directors** – for principal balances greater than $1,000,000, the Board of Directors would review and approve the transaction.~~

4. ~~**Reporting** – if a transaction receives the approval from the appropriate authority to be written off, then the details should be reported in a quarterly memo and made available on an ongoing basis to the Deployment Committee and/or the Board of Directors, and staff will report out more frequently to the Board of Directors on COVID-19 related transaction restructurings.~~

~~**Modification or Waiver of Default Interest, Penalties or Fees**~~

~~A transaction undergoing a modification or waiver of any default interest, penalties or fees should undergo the following process:~~

5. ~~**Modification or Waiver Calculation** – staff requesting a modification or waiver of default interest, penalties or fees in a previously approved transaction, must calculate the amount of default interest, penalties and fees being modified or waived (the "Modified/Waived Amount").~~

6. ~~**Documentation** – staff requesting a modification or waiver must document the reason for the modification or waiver including a description of the project, the calculation showing the value of the modification or waiver, and preventative measures for mitigating the likelihood of occurrence of such issues in the future.~~

7. ~~**Review and Approval** – the documentation must be reviewed and approved by the appropriate authority, including:~~

    d. ~~**Staff** – for Modified/Waived Amounts less than $100,000, senior staff would review and approve modification or waiver and document through its standardized approval release statement (ARS) internal process;~~

    e. ~~**Audit, Compliance and Governance Committee** – for Modified/Waived Amounts greater or equal to $100,000 and up to $1,000,000, Deployment Committee would review and approve the modification or waiver; or~~

f. ~~**Board of Directors** – for Modified/Waived Amounts greater than $1,000,000, the Board of Directors would review and approve the modification or waiver~~

8. ~~**Reporting** – if a transaction receives the approval from the appropriate authority to modify or waive default interest, penalties or fees, then the details should be reported in a quarterly memo and made available on an ongoing basis to the Deployment Committee and/or the Board of Directors, and staff will report out more frequently to the Board of Directors on COVID-19 related transactions.~~

~~**Process for Reporting**~~

~~Above and beyond applying the Loan Loss Decision Process to various transactions of the Green Bank and its subsidiaries, there is a need to frequently report out to the Deployment Committee and/or the Board of Directors. The following reporting on loan losses should begin in FY 2019 for Green Bank transactions and FY 2021 subsidiary transactions:~~

- ~~**Monthly Financial Statements** – within the monthly financial statements provided to the Board of Directors, there should be a separate section that provides an overview of the provisional loan loss reserves noted for the fiscal year, along with any transactions that have been restructured or written-off through this Loan Loss Decision Process; and~~

- ~~**Quarterly Reports** – provided to the Deployment Committee on a quarterly basis, this memo should provide further detail on loss transactions by program or product to assess trends, including:~~

    - ~~Number of transactions lost;~~
    - ~~Amount of loss;~~
    - ~~Frequent of losses;~~
    - ~~Percentage of losses; and~~
    - ~~Thresholds of losses reached consistent with the provisional loss reserve.~~

~~Reporting is an essential aspect of the Loan Loss Decision Process.~~

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# Loss Decision Process

**Last updated: [ ]**

**This document incorporates the Connecticut Green Bank ("Green Bank") Board of Directors ("Board") approved framework and process for funding the provisional loss reserve, restructuring, and writing-off of transactions, as approved by the Board on June 13, 2018 for transaction on Green Bank's balance sheet, amended by the Board on April 24, 2020, approved by the Board on June 26, 2020 for transactions on the balance sheet of Green Bank's subsidiaries, and amended by the Board on March 25, 2022 and [date] (taken together, all such Board approvals being the "Loss Decision Process").**

## 1. Governance

The bylaws of the Green Bank provide guidance in terms of managing transactions, and their potential restructuring or write-off. Specifically, the Deployment Committee of the Board of Directors, as outlined in Section 5.3.3 is responsible for:

- "(ii) with respect to loans, loan guarantees, loan loss reserves, credit enhancements… between three hundred thousand dollars ($300,000) and two million five hundred thousand dollars ($2,500,000), evaluation and approval of such requests on behalf of the Board so long as such approval is within the Green Bank's approved Operations and Program Budget,"

- "(iv) oversight of policies and practices relating to the evaluation and recommendation of initial investments, follow-on investments, *investment modifications and restructurings*, and the sale or other disposition of investments by the Authority's professional investment staff,"

- "(v) oversight of policies and practices relating to investment management by the Authority's professional investment staff, including implementation of investment exit strategies,"

- (vi) except to the extent of any investment powers expressly reserved to the Board itself in any resolution of the Board, to approve on behalf of the Board investments, follow-on investments, investment modifications and restructurings, and the sale or other disposition of investments," and

- (viii) the exercise of such authority as may from time to time be delegated by the Board to the Deployment Committee within its areas of cognizance.[1]

The bylaws of the Green Bank serve as the foundation to establishing the Loss Decision Process, not only for the organization, but also its subsidiaries. Such Loss Decision Process should be reviewed, revised (as appropriate) by the Deployment Committee (DC), reviewed and recommended for approval by the Audit, Compliance, and Governance (ACG) Committee, and approved by the Board.

## 2. Provisional Loss Reserve and Accounting

On an annual basis, the accounting team prepares a detailed analysis of portfolio loans and other transactions by program. This analysis includes a historical analysis of prior year write-offs, if any, organized by program, repayment delinquencies, and inquiries with program and finance staff regarding current developments related customers that could affect future repayments.[2] Based upon these inquiries, the accounting team assigns a loss reserve percentage to the balance of transactions for each program to arrive at a total loss reserve for the portfolio (each being a "Loss Reserve" for a program). Currently these percentages range from 0-10% based on the project, product, or program.

The annual loss reserve calculation is approved by the Budget and Operations Committee (BOC), and subsequently by the Board, through the annual budget and targets process and reported in the annual audited financial statements. It is also reviewed for reasonableness by the Green Bank's audit firm as part of the annual audit process.

Current loss reserves for existing programs are set forth below, as may be updated from time to time:
:

- **C-PACE** – secured by a benefit assessment on a property in a C-PACE participating community, Green Bank may finance projects on commercial, industrial, multifamily, and nonprofit buildings for measures consistent with the Comprehensive Energy Strategy and C-PACE guidelines.

  Loan losses are reserved for C-PACE transactions by allocating **10%** of the principal value outstanding of the C-PACE portfolio at the end of the fiscal year.

- **Project Finance/Capital Solutions Loans** – These loans are provided to owners of clean energy portfolios or projects, including solar, fuel cells, wind, hydro, and anaerobic digesters.

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[1] The Board of Directors may also delegate certain responsibilities to the President and the other officers of the Green Bank as they believe are desirable to permit the timely performance of the functions of the Green Bank and to carry out the policies of the Board – See Green Bank Bylaws Sections 2.5 (Delegation of Powers) and 3.2 (President). For example, on October 20, 2017, per the memo dated October 13, 2017, the Board of Directors delegated the power for officers to approve transactions up to $500,000 in value as long as they are consistent with the Comprehensive Plan and Budget.

[2] It should also be noted that the Comprehensive Annual Financial Review (CAFR) also includes a "high level" breakdown of delinquencies and defaults by financing product or program.

Loan losses are reserved for by allocating a range of **5%-10%** of the principal value outstanding of the various project loans at the end of the fiscal year, depending on the technology and credit of the borrower.

- **Smart-E Loan** – through the Energize CT initiative with Eversource Energy and Avangrid, in collaboration with Connecticut's community banks, credit unions, and community development financial institutions, the Green Bank provides a second loan loss reserve of up to 7.5% of principal for residential loans in projects that support the Green Bank's Comprehensive Energy Strategy.

  In the Smart-E Loan program, loan losses are reserved for by setting aside 7.5% of the original principal value of the Smart-E Loan portfolio as restricted cash. When 1.5% of the original principal value of a lender's portfolio is exceeded in losses, losses will be paid to that lender up to the 7.5% maximum that was previously set aside.

- **SBEA** – through an on-bill loan program administered by Eversource Energy, capital provided by Amalgamated Bank (i.e., 80-90% of the capital structure) and the Green Bank (i.e., 10-20% of the capital structure), small businesses are provided 0% interest rate loans (i.e., interest rate bought down to zero to the customer).

  These loans are protected from losses by the Conservation and Load Management Plan, therefore no loan losses are reserved by Green Bank.

- **Commercial Solar Loan:** these are loans to non-residential property owners (commercial, non-profit, municipal, affordable multi family) for the deployment of onsite solar systems that will sell all the energy and environmental attributes generated by the solar to the utility through the Non-Residential Renewable Energy Solutions or Residential Renewable Energy Solutions programs.

  Loan losses are reserved for Commercial Solar Loan transactions by allocating **10%** of the principal value outstanding of the Commercial Solar Loan portfolio at the end of the fiscal year.

- **Residential Solar Loan** – through a residential solar loan product in partnership with Sungage Financial, the Green Bank provides low-cost and long-term debt to financial residential rooftop solar PV.

  Loan losses are reserved for Residential Solar Loan transactions by allocating 5-10% of the principal value outstanding of the portfolio, depending on the portfolio, at the end of the fiscal year.

- **Solar Lease or PPAs** –the Green Bank owns residential and commercial-scale solar PV projects (e.g., municipal, schools, nonprofits, etc.). These projects have a customer offtake agreement such as a site leases or a power purchase agreements (PPA) where the customer host saves (or receives equivalent financial benefit) about 20-30% of their retail electric cost. Operational projects are classified as capital assets in the Green Bank financials.

Solar Lease or PPAs have no loan loss reserve.

### 3. Budget for Project Terminations

On an annual basis, the Accounting team, in collaboration with the Investments and Financing Programs teams, determines a budget allocation—referred to as the "Budget for Project Terminations"—for projects developed by the Green Bank that may be terminated during development prior to the project either being sold to another entity or finalized, placed in service, and recorded as capital assets in Green Bank's balance sheet (such project being a "Terminated Project").

As with the Loan Loss Reserves, the annual determination of the Budget for Project Terminations is approved by the BOC, and subsequently by the Board, through the annual budget and targets process.

The current programs for which a Budget for Project Terminations is allocated are listed below and may be updated from time to time:

- **Solar Development** - The Green Bank and its subsidiaries develop commercial solar projects at municipal, state, business, nonprofit, and affordable multifamily properties (each being a Commercial PPA/Lease Project). As part of the development process, Green Bank enters into offtake agreements, such as a PPA or a site lease, with utility customer hosts. Additionally, an Engineering, Procurement, and Construction (EPC) agreement is executed with a solar installation company. A Commercial PPA/Lease Project may be terminated after incurring EPC or project-specific costs due to factors like high interconnection costs, permitting issues, or unfavorable site conditions. In such cases, incurred development costs are usually non-recoverable, and the project is classified as a Terminated Project.

  An expense budget category for Terminated Projects is established and approved annually through the budget process.

### 4. Loss Decision Process

In determining how losses should be processed for any transactions on the Green Bank balance sheet and the balance sheets of its subsidiaries, there are two key components:(1) the value of the modification and, (2) the type of loss anticipated or incurred.

**Value of Loss/Modification**

Green Bank senior staff (Staff) shall determine the value of the loss/modification based on the underlying facts, circumstances and characteristics of the asset, the following are potential considerations:

- **Principal Outstanding** – the type of loss anticipated should apply to only the amount of the principal outstanding of the transaction and lost interest revenue;

- **Valuation –** the type of loss should apply to the valuation of the capital asset; or

- **Modification Amount** – the type of loss anticipated should apply only to the proposed modification amount of the transaction

**Types of Losses/Modifications**

Staff shall determine the type of loss/modification based on the underlying facts, circumstances and characteristics of the asset. The categories of losses/modifications are as follows:

- **Restructuring** – a modification of principal, interest, term, and/or other material component of a transaction beyond the scope of the original transaction approval authorization. For the avoidance of doubt, any amendment of a transaction within the original approval authorization is not considered a restructuring (e.g. amendment of C-PACE loan terms within standard rate and term schedule, or EPC amendment for increased project cost);

- **Write-Off** – a determination that an asset is impaired (may be a result of ongoing delinquency, default, or Terminated Project) and deemed that it is unlikely for a material recovery of the principal, or intended return on the receivable or capital asset; and

- **Default Penalty Waiver** – a modification or waiver of default interest, fees or other default penalties which may be due to Green Bank arising from a default by a Green Bank counterparty. For the avoidance of doubt, an amendment of a transaction which may have the effect of reducing default interest, fees, or other penalties which is within the original approval authorization and not considered a default penalty waiver.

Each of these types of losses/modifications should be handled in a specific manner depending upon the value of the loss/modification, see Table 1.

**Table 1. Process to determine Loss Decision or Project Termination based on Value and Type of Loss/Modification**

| **Type of Loss/Modification/Termination** | **Value of Modification** | | |
|---|---|---|---|
| | **<$100,000** | **$100,000 – $1,000,000** | **>$1,000,000** |
| Determining Amount of Provisional Loss Reserve | Staff (with review and reporting from the Auditor) and approval from BOC | | |
| Determining Amount of Project Termination Budget | Staff (with review and reporting from the Auditor) and approval from BOC | | |
| Restructurings | Staff | Deployment | Board of Directors |
| Default Penalties | Staff | Deployment | Board of Directors |
| All Write-Offs. For Project Terminations: if, in aggregate, exceed Project Termination Budget allocation | Staff | Deployment | Board of Directors |

| | |
|---|---|
| Only Write-Offs for Project Terminations: if, in aggregate, DO NOT exceed Project Termination Budget allocation | Staff |

Staff will review and approve any modifications within the Staff approval limited set forth above, ensuring proper documentation and approval through the standardized Approval Release Slip (ARS) internal process. Any such ARS will include a memo detailing the project/asset, the proposed loss/modification, the calculation of the loss/modification, any mitigation actions, and any preventative measures for avoiding such issues in the future. Additionally, Staff will report out on any losses/modifications approved pursuant to staff authority to DC or Board.

In between report outs to the Board or DC, Staff will only be able to review and approve in aggregate up to $500,000 of the following loss/modifications: Restructurings, Default Penalties, and Write-Offs. In other words, the Loss Decision Process allows staff to review and approve losses/modifications “Up to $100,000 and No More in Aggregate than $500,000” between report outs to DC or Board. For Project Terminations, staff will be able to review and approve write offs which, in aggregate, do not exceed the Project Termination Budget.

### Applying the Loss Decision Process: Transaction Examples

The following example transactions illustrate how the Loss Decision Process is applied.

*Example Transaction #1 – Smart-E Loan*

The first example transaction is a residential loan through the Smart-E Loan Program that is in default – see Table 3.

**Table 3. Smart-E Loan – Write-Off**

| | |
|---|---|
| **Program** | Smart-E Loan |
| **Original Principal** | $34,000 |
| **Outstanding Principal** | $25,000 |
| **Value of Modification/Loss** | $25,000 |
| **Type of Modification/Loss** | Write-Off |
| **Loss Reserve** | 7.5% of the original principal value of the Smart-E Loan portfolio |
| **Approving Authority** | Staff |

In this situation, with regards to the Smart-E Loan, as long as the partner lender has exceeded their 1.5% of losses within their loan portfolio and is seeking to access the 7.5% second loss from the Green Bank per our agreement, then the Staff can write-off the outstanding principal amount of the transaction by paying off the loss through the use of restricted cash in the loan loss reserve account set aside for the Smart-E Loan program.

*Example Transaction #2 – C-PACE*

The second example transaction is a C-PACE benefit assessment that requires restructuring – see Table 3.

**Table 3. C-PACE – Restructure**

| | |
|---|---|
| **Program** | C-PACE |
| **Original Principal** | $1,250,000 |
| **Outstanding Principal** | $1,100,000 |
| **Value of Modification/Loss** | $1,100,000 |
| **Type of Modification/Loss** | Restructuring |
| **Approving Authority** | Board |

Since it's a restructuring with a value greater than $1,000,000, this restructuring would have to be reviewed and approved by the Board of Directors.

*Example Transaction #3 – Onsite Distributed Generation Grant by the Connecticut Clean Energy Fund*

The third example transaction is a grant provided by the Green Bank predecessor, the Connecticut Clean Energy Fund. In this example, a project host has committed to onsite clean energy for a contractual period of time, however, it may seek to modify that preexisting agreement. There are no assets on the balance sheet from this transaction – see Table 4.

**Table 4. Onsite Distributed Generation Grant Program – Restructuring**

| | |
|---|---|
| **Program** | Onsite DG Program |
| **Original Grant** | $250,000 |
| **Outstanding Grant Obligation** | $75,000 |
| **Value of Modification/Loss** | $75,000 |
| **Type of Modification/Loss** | Restructuring |
| **Approving Authority** | Staff |

Since the project is not an asset on the balance sheet of the Green Bank, and the principal outstanding value is less than $100,000, then the staff could review and approve of this transaction modification. Had the principal value of the outstanding principal in the contract exceeded the Staff authority to restructure, the proposed revision would have had to have been approved by the Deployment Committee or the Board of Directors.

*Example Transaction #4 – Fuel Cell Project*

The fourth example transaction is a loan for a fuel cell project that is a write-off – see Table 5.

**Table 5. Fuel Cell Project – Write-Off**

| | |
|---|---|
| **Program** | Fuel Cell |
| **Original Principal** | $5,000,000 |
| **Outstanding Principal** | $2,750,000 |
| **Value of Modification/Loss** | $2,750,000 |
| **Type of Modification/Loss** | Write-Off |
| **Approving Authority** | Board of Directors |

As a write-off with a loss value of $2,750,000, this would have to go to the Board of Directors for review and approval.

*Example Transaction #5 – Multifamily Predevelopment Loans*

The fifth example transaction is a predevelopment loan for a multifamily project that is a restructuring or write-off – see Table 6.

**Table 6. Multifamily Predevelopment Loan Project – Restructuring or Write-Off**

| | |
|---|---|
| **Program** | Multifamily |
| **Original Principal** | $50,000 |
| **Outstanding Principal** | $50,000 |
| **Value of Modification/Loss** | $50,000 |
| **Type of Modification/Loss** | Restructuring or Write-Off |
| **Approving Authority** | Staff |

The Multifamily predevelopment programs lend funds to identify and build out project plans. The funds are typically not repaid until a term loan to cover the actual project is in place and the predevelopment loan is repaid with the proceeds of the term loan. On some occasions, the outstanding balance of the predevelopment loan is written off or restructured as the term loan is agreed to ensure that the economics of a project work by staff. Given the size of the loan, the restructuring and loan forgiveness is handled by staff.

*Example Transaction #6 – CT Solar Loan*

The first example transaction is a residential loan through the CT Solar Loan Program that is in default – see Table 7.

**Table 7. CT Solar Loan – Write-Off**

| | |
|---|---|
| **Program** | CT Solar Loan |
| **Original Principal** | $30,000 |
| **Outstanding Principal** | $22,500 |
| **Value of Modification/Loss** | $22,500 |
| **Type of Modification/Loss** | Write-Off |
| **Approving Authority** | Staff |

Since the value of the loss is less than $100,000, then the Staff would be approving this type of loss. In this situation, with regards to the CT Solar Loan, as long as all legal remedies have been pursued to collect the loan, then the Staff can write-off the outstanding principal amount of the transaction by paying off the loss through the use of restricted cash in the loan loss reserve account set aside for the CT Solar Loan.

*Example Transaction #7 – Solar PPA Project Secured by C-PACE*

The second example transaction is a Solar PPA (i.e., secured by C-PACE). A portion of the system suffered damage and will need to be removed, therefore the transaction t requires restructuring– see Table 8. The value of the modification is calculated as the cost to remove a portion of the system and the decrease in revenue associated with portion of the system that was removed.

**Table 8. Solar PPA – Restructure**

| | |
|---|---|
| **Program** | Solar PPA |
| **Original Capital Asset Value** | $3,250,000 |
| **Gross Expected Revenue** | $600,000 |
| **Cost to remove** | $500,000 |
| **Value of Modification/Loss** | $1,100,000 |
| **Type of Modification/Loss** | Restructuring |
| **Approving Authority** | Board |

Since the PPA is secured by C-PACE, then this transaction would be reviewed and approved by the Board of Directors.

*Example Transaction #8 – Hydroelectric PPA*

The third example transaction is the issuance of a Clean Renewable Energy Bond (CREB) to finance a 193-kW hydroelectric facility. In this example, the purchaser of the power is unable to pay its PPA – see Table 9.

**Table 9. Hydroelectric Facility PPA with Bond Financing – Restructuring**

| | |
|---|---|
| **Program** | Project Finance – Bond |
| **Original Principal** | $3,000,000 |

| | |
|---|---|
| **Outstanding Principal** | $2,798,331 |
| **Value of Modification/Loss** | $2,798,331 |
| **Type of Modification/Loss** | Restructuring |
| **Approving Authority** | Board |

Since the value of the modification is greater than $1,000,000, any restructuring of the transaction would require the review and approval of the Board of Directors. And since the bond uses the Special Capital Reserve Fund (SCRF) of the State of Connecticut, additional steps will be required to support self-sufficiency if the PPA payment is forgiven.

*Example Transaction #9 – Site Lease with an Affordable Multifamily property*

This example involves a Commercial PPA/Lease Project in which a site lease was executed with an affordable multifamily property owner and an EPC agreement was signed with the installer. The installer conducted preliminary work, including design and structural assessments. However, the project was ultimately unable to proceed due to a failure to meet structural requirements. As a result, both the PPA and the EPC agreement were terminated while the project is in development and is considered a receivable asset. For further details, refer to Table 10.

**Table 10. Solar Site Lease Project Terminated**

| | |
|---|---|
| **Program** | Solar PPA/Lease Development |
| **Original EPC Contract Sum** | $500,000 |
| **Value of Modification/Loss** | $25,000 |
| **FY approved Project Termination Budget** | $300,000 |
| **Previously approved Terminated Projects in the FY** | $100,000 |
| **Type of Modification/Loss** | Terminated Project |
| **Approving Authority** | Staff |

As the aggregate amount of Terminated Projects for the fiscal year, including the value of this Terminated Project, remains below the Project Termination Budget allocation for the fiscal year, this termination would require staff review and approval.

*Example Transaction #10 – Solar PPA with a Municipality*

This example involves a Commercial PPA/Lease Project in which a PPA was executed with a municipality, and an EPC agreement was signed with the installer. The installer completed initial designs and prepared drawings required for the interconnection application. However, the project could not move forward due to interconnection costs that were not economically feasible for the project. Consequently, both the PPA and the EPC agreement were terminated while the project is in development and considered a receivable asset. For additional information, refer to Table 11.

**Table 11. Solar Site Lease Project Terminated**

| | |
|---|---|
| **Program** | Solar PPA/Lease Development |

| | |
|---|---|
| **Original EPC Contract Sum** | $700,000 |
| **Value of Modification/Loss** | $40,000 |
| **FY approved Project Termination Budget** | $300,000 |
| **Previously approved Terminated Projects in the FY** | $280,000 |
| **Type of Modification/Loss** | Termination |
| **Approving Authority** | Deployment |

As the aggregate amount of Terminated Projects for the fiscal year, including the value of this Terminated Project, is greater than the approved Project Termination Budget allocation for the fiscal year, this termination would require review and approval by the Deployment Committee.

*Example Transaction #12 – Solar PPA with damage*

This example involves a Commercial PPA/Lease Project that after being finalized and in operation during 5 years suffered damage and costs to restore and reinstall were cost prohibitive. Therefore the project which is a capital asset under Green Bank's balance sheet. The value of the modification include the amount in gross expected revenue along with any cost associated with removing the system. For additional information, refer to Table 13.

**Table 13. Solar Site Lease Project Terminated**

| | |
|---|---|
| **Program** | Solar PPA/Lease Development |
| **Original EPC Contract Sum** | $500,000 |
| **Gross Expected Revenue** | $250,000 |
| **Cost to remove** | $100,000 |
| **Value of Modification/Loss** | $350,000 |
| **Type of Modification/Loss** | Write-off |
| **Approving Authority** | Deployment |

Since the write off amount is more than $100,000 but less than $350,000, then the Staff would require approval from the Deployment committee to approve this type of loss.

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CONNECTICUT GREEN BANK

# Memo

**To:** Audit, Compliance and Governance Committee

**From:** Dan Smith (Director of Accounting and Reporting) and Jane Murphy (EVP Finance and Administration)

**Date:** May 7, 2025

**Re:** Audit RFP Process

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The Connecticut Green Bank ("Green Bank") recently issued a Request for proposals ("RFP") for Professional Audit Services for fiscal years ending June 30th 2025 through 2027 as required by our Operating Procedures. We are required to issue an RFP every three years, and per Section 1-127 of the Connecticut General Statutes, a Quasi- Public Agency is prohibited from contracting with the same audit firm for a period greater than six consecutive years. Our current audit firm, PKF O'Connor Davies just finished their first 3-year term, so we are able to select them again if chosen. We posted the RFP on our website and posted to the State of CT Department of Administrative Services "CT Source" website, where all public accounting vendors that perform government audits were notified directly through this process (13 firms were selected). We received responses from the following five firms:

1. PKF O'Connor Davies
2. BerryDunn
3. Whittlesey
4. CliftonLarsonAllen LLP
5. Crowe LLP

We have formed a staff working group to review the proposals and will present a recommended audit firm to the Committee at its meeting on May 13, 2025.

The following is a brief statistical summary of each firm extracted from "The 2025 Top 100 Firms" published by *Accounting Today*, an industry publication. Also indicated is the local office that will be performing the audit services and enclosed is each firm's proposal.

<u>PKF O'Connor Davies</u>

1. Revenues: $410 million
2. Offices: 19
3. Headquarters: New York City
4. Offices(s) performing CGB audits: Wethersfield, CT (from proposal)
5. Partners: 214
6. Total Professionals: 1225
7. Total employees: 1,704
8. National ranking – 2025 Accounting Today: 25

BerryDunn

1. Revenues: $181.3 million
2. Offices: 9
3. Headquarters: Portland, Maine
4. Office (s) performing CGB audits: Manchester, NH
5. Partners: 62
6. Total Professionals: 630
7. Total employees: 858
8. National ranking – 2025 Accounting Today: 45

Whittlesey

1. Revenues: $40.2 million
2. Offices: 3
3. Headquarters: Hartford, CT
4. Office (s) performing CGB audits: Hartford, CT
5. Partners: 18
6. Total employees: 175
7. National ranking – 2025 Accounting Today: Beyond the top 100

CliftonLarsonAllen

1. Revenues: $2,045 million
2. Offices: 130
3. Headquarters: N/A
4. Office (s) performing CGB audits: West Hartford, CT
5. Partners: 1,348
6. Total Professionals: 5,391
7. Total employees: 8,076
8. National ranking – 2025 Accounting Today: 10

Crowe

1. Revenues: $1,306 million
2. Offices: 40
3. Headquarters: Chicago, IL
4. Office (s) performing CGB audits: West Hartford, CT
5. Partners: 554
6. Total Professionals: 4,153
7. Total employees: 5,773
8. National ranking – 2025 Accounting Today: 13

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval of ______________________ to perform professional audit services for the Connecticut Green Bank for the fiscal years 2025, 2026, and 2027.

Second.  Discussion.  Vote

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CONNECTICUT GREEN BANK

# Memo

**To:** Audit, Compliance and Governance Committee

**From:** Jane Murphy, EVP Finance and Administration

**CC:** Bryan Garcia, Brian Farnen, Eric Shrago, Dan Smith

**Date:** May 7, 2025

**Re:** Updated Banking Resolutions

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I am requesting that the Audit, Compliance and Governance ("ACG") Committee approve the updated Banking Resolutions set forth below. This revised set of resolutions will authorize additional members of the Accounting Department, at a Director level (job grade 18) or above per the salary job grades presented annually through the budget process, to sign checks and initiate and release wire or ACH transfers. If the ACG Committee approves this recommendation, the revised resolution will be submitted for inclusion on the consent agenda at the next regular meeting of the Board of Directors.

Resolution

**RESOLVED**, that the Audit, Compliance and Governance Committee hereby recommends to the Board of Directors for approval the updated list of authorized Green Bank employee positions to sign checks and initiate and release wire or ACH transfers from Green Bank bank accounts in accordance with the established signatory authority as stated in the Green Bank internal control procedures documentation:

- President and CEO
- Executive Vice President Finance and Administration
- Executive Vice President and Chief Investment Officer
- Executive Vice President, Financing Programs
- Vice President of Operations
- Director level (job grade 18) and above members of Accounting Department

**RESOLVED,** that the Audit, Compliance and Governance Committee affirms that as of the date of this resolution these positions are occupied by the following individuals:

- President and CEO - Bryan Garcia
- Executive Vice President Finance and Administration – Jane Murphy
- Executive Vice President and Chief Investment Officer – Roberto Hunter
- Executive Vice President, Financing Programs – Michael Dykes
- Vice President of Operations – Eric Shrago
- Director level (job grade 18) and above members of Accounting Department – Dan Smith

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