



**Joint Committee of the CT Energy Efficiency Board and the  
Connecticut Green Bank Board of Directors  
CT Department of Energy and Environmental Protection  
79 Elm Street, Hartford, CT  
Holcombe Conference Room  
Wednesday, October 18, 2017  
1:30-3:30 p.m.**

**MINUTES<sup>1</sup>**

**In Attendance**

Voting Members: Eric Brown, Amanda Fargo-Johnson, John Harrity, and Diane Duva

Non-Voting Members: Bryan Garcia, Pat McDonnell, and Ron Araujo

Others: Donna Wells, Mackey Dykes, Catherine Smith, Kerry O'Neill, Brian Farnen (by phone), Steve Bruno, Chris Plecs, Kim Stevenson, Anthony Clark, Andy Brydges, Rob Klee, Marissa Westbrook, Taren O'Connor, Bill Dornbos, Mary Sotos, Bert Hunter, Nick Zuba (by phone), Chris Kramer (by phone), Craig Diamond (by phone), and Rick (by phone)

**1. Call to Order**

Eric Brown called the meeting to order at 1:34 p.m.

**2. Review and approval of Meeting Minutes for July 19, 2017 meeting**

Eric Brown stated that there were some comments and/or typos with the Meeting Minutes and that they would probably send out an electronic vote.

**3. Joint Committee Overview**

Eric Brown reiterated the purpose of the Committee and their shared goal. He then thanked the group for their continued hard work.

**4. Working Group Briefs**

**a. Single Family**

Kerry O'Neill discussed Single Family. She stated that some of the highlights were the Smart E Bundle and the success from bringing in Capital for Change. She stated that the working group has done a great job in developing metrics and tracking tools. She stated that it helps to focus their efforts. She stated that they launched quarterly Coffee Chats with vendors and contractors, about a year ago. She stated that that program has been well received. She stated that jointly with the utilities, they present to those contractors and vendors training and networking opportunities.

Kerry O'Neill discussed the goals. She stated that they have made very limited progress on accessing the Green Loan Fund given the state budget situation. She stated that it will not happen. She stated that they did reallocate the ARRA dollars to support interest rate buy-downs and that the Green Bank is using its balance sheet for the loan loss reserves. She stated that another challenge is the demand overall for efficiency programs is way down given the weather and fuel prices over the last few years. She stated that they are going to focus and continue to review where financing products and incentive dollars are used. She stated that they are supporting the Pilot for Zero Energy Retrofits in support of Strategic Electrification. She stated that they are making sure that efficiency and solar installations are maximizing under RSIP and noted that over 85% of RSIP projects receive HES and Home Energy Score audits with the remaining BPI-level audits done by Solar City. She stated that they are doing new research with a national non-profit for health and safety. She stated that they are looking for guidance and feedback regarding their areas of focus for residential.

**b. Multifamily**

Ron Araujo discussed Multifamily. He stated that they have made great strides over the course of a year. He stated that both the utilities and the Green Bank have been working together to streamline projects originating from CHFA and the Department of Housing. He stated that CHFA and DOH funded projects now use a letter of participation as part of the application process to improve coordination. He stated that they've seen an increase of 250% in use of energy efficiency incentives. (For residents at CHFA-financed properties, in 2016, the two utility companies provided over \$2.5 million in incentives to owners and managers of affordable rental properties—a 250% increase over the previous year.) He stated that they've integrated a process path for multifamily properties that do fall into the DOH/CHFA process, to address financing options. He stated that they've done a joint roll out to contractors who participate in the multifamily space. He also discussed the Energize CT webpage and the work that was done on that.

Ron Araujo stated that there have been some limitations. He stated that they don't know a lot about the market and that they may need to put out an RFP for a market study to gain insight on this segment. He stated that they need to increase the focus on implementation and outreach. He stated that the materials have been unified. He stated that the next target is to reach out to customers to make them aware of the tools that are available. He stated that they are looking for an attractive financing product

for market rate multifamily properties. He stated that they need clarity as well, to eliminate the perception of duplicate programs. He stated that they still need to need to develop an approach to engage more customers to implement deeper measures, as well as continue training and engaging the contractor community.

**c. Government**

Diane Duva provided an update on the Government Sector. She stated that the Small Business Advantage Program is going well for municipalities and state agencies. She stated that it has great uptake, though has capital constraints. She stated that the utilities' pilot using a third-party lender for financing municipal projects with on-bill repayment has gone well and that they are coordinating between the Green Bank and utilities. The work underway to increase the capacity of financing for small projects is essential for increasing the volume of upgrades for the municipal and state sector.

Diane Duva stated that they have had limited progress in getting a match for capital for midsize projects and that there is no financing in place for large projects. She stated that the Green Bank will go forward with a Capital Lease Agreement for certain projects. She stated that the next step is the CT Green Bank getting a Master Lease in place for a major project. She stated that they will continue to explore alternative methods of financing for both large-scale and medium-scale projects. She stated that they will discuss options for developing the type of financing that the Small Business approach provides, with on-bill payment plans to address capital access issues.

**d. Medium to Large Business**

Steve Bruno discussed the commercial and industrial sector. He stated that it is going well and that customers are accessing Green Bank programs.

Donna Wells stated that they are working together in regards to specific projects and that there are greater interactions with both the utilities and the Green Bank. She stated that they are still looking at coordinating and integrating the C-PACE and the SBEA financing, offering an alternative to the on-bill method as well as interest rate buy down to put towards C-PACE financing. She stated that they are working collaboratively to develop an alternative capital structure for SBEA.

Donna Wells discussed the limitations of balancing the cost of capital and administrative responsibilities. She stated that another limitation is that they could be doing better in understanding each other's programs and processes. She stated that they are structuring more formal knowledge around the processes to help design products. She stated that they need to do more research on what is needed to close the financing gaps and what are the key factors moving forward.

**e. Small Business**

Steve Bruno stated that they do approximately \$30 million annually in the Small Business Sector in new loans.

## **5. Observations and Guidance from the Chairs and Vice Chairs**

Eric Brown asked for comments. Taren O'Connor thanked the Committee for their work and efforts. Bill Dornbos also thanked the Committee. He stated that timing is great as they are going into a three-year plan, so it's great timing to think about joint goals. He stated that they need to focus on how the Boards officially act. He stated that his Board is supportive of this.

Diane Duva clarified the joint goals for the Commissioners. She wanted to make sure that they are comfortable with the direction that things are moving. Commissioner Smith stated that it would be good to have metrics to see the progress. She requested that for future discussions. Diane Duva stated that the Energy Dashboard does have those metrics for Single Family.

Commissioner Klee thanked the group for coming together and thinking about the integration of the two entities. He stated that they need to not be afraid to be innovative and find other ways to scale up and scale out. He stated that they need to get out of their comfort zones.

Commissioner Smith stated that she was happy to see them making it easier for customers to understand the programs. She stated that it's really important to align things and try to simplify the programs.

Eric Brown stated that there is a great example that relates to innovation. He asked the Green Bank and the Efficiency Board to provide information on how to draw more capital into SBEA, and some of the issues that they saw. Taren O'Connor stated that they are making great progress. She stated that they do have questions and clarifications to work out, but in general, it is going well. She stated that they had a meeting last week and spoke about a lot of those questions. She stated that they had narrowed down specific areas that the EEB felt that they could negotiate a bit more on to improve the proposal. She stated that those areas are the allocation of risk and reimbursement to the Green Bank at 3.5%, as well as the administrative costs. Commissioner Klee stated that there was about \$4.4 million in administrative costs. Chris Kramer stated that there are costs that are different than what was brought to the Board. He stated that they identified those costs and moved those costs out of the buy down. He stated that it's the October 11<sup>th</sup> version. Eric Brown stated that it's important to hear from the program administrators.

Chris Plecs provided a high-level overview, stated that when they look at the JP Morgan deal the concern is with the Energy Efficiency Fund absorbing all of the losses. He stated that with that fund taking all of the losses, the only way that JP Morgan would feel an impact is if something were to happen with the Energy Efficiency Fund.

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Commissioner Smith stated that she feels that they have the favorable pricing because of the way the risk is allocated in the deal. She stated that their goal is to get the best pricing for the customers. She stated that she was pleased with it and would like to move forward and modify it later. Commissioner Klee stated that there is no change in the current risk of the Green Bank. He stated that they are just bringing in the cheaper capital. He stated that they can talk about how to improve and modify it over time. Diane Duva stated that no change in risk is the precise reason there are questions. She stated that the clarification needed, because if the EE Fund is bearing all the risk, why is the fund paying 3.5% to the Green Bank. Commissioner Klee stated that the 3.5% rate is not even covering the cost. He stated that the State's current cost of capital is 3.27%. He stated that the Green Bank is trying to cover the cost of capital.

Bert Hunter stated that they have used the anticipated rise in the Federal rate to get to the rate. He stated that funding was moved off the table by the lender and they are now exposed by 3.5% fixed capital. He stated that they need to replace that with floating rate funds. He stated that they have \$47 million in obligations to the fund now. He stated that they have \$26 million in cash on their books. He stated that their CFO states that they need to maintain \$10 million in liquidity on their books. He stated that they have reached out to one lender that is willing to come in on this transaction and provide the funding.

Anthony Clark stated that there is a lot of focus on 0% coming in from CEEF funds. He stated that for the Green Bank that is not the model. He stated that the Green Bank is a financing institution. He stated that there is an opportunity cost the CT Green Bank bears in funding it. He stated that rather than requiring the CEEF to use money to set up the Loan Loss Reserve, the Green Bank will use their capital and lend it at a lower rate. He stated that the Green Bank's money is in a loss position. He stated that the Green Bank is offering a fixed and lower interest rate.

Taren O'Connor stated that they are not ready to make a decision on the recapitalization of the SBEA financing. She stated that their Board has a process and that they are not present. Commissioner Smith questioned when a conclusion could be made. Taren O'Connor stated that they have a meeting set up. She stated that they are hoping to hear back from the Green Bank and that they will have something else to consider. Commissioner Smith questioned that the conversation that they had just had was not sufficient. Taren O'Connor stated that she was not there to speak on behalf of the Board. She stated that this needs to be relayed to the full Board. Bill Dornbos stated that the Board had voted to move forward with the concept, but that they are in the negotiation phase. He stated that there are some questions and concerns. He stated that it's a collective decision-making body.

Commissioner Smith questioned what the timing was to hold the deal. Bert Hunter stated that they have a proposal, but no binding term sheet until the parties agree. Taren O'Connor stated that they feel good about it, but that they need to let the process happen on their end where their members feel comfortable to pass it. Brian Farnen stated that the only place they could really go is that they could make a Committee recommendation to

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the full Board. Eric Brown stated that the most important thing is to agree on a process and timing. Taren O'Connor stated that it depends on when and if they hear something back from the Green Bank. Eric Brown asked if JP Morgan is waiting to hear something. He questioned if both groups don't show support or unless both Boards approve the deal, is the deal dead? Bert Hunter stated that they won't have a deal until they enter into a term sheet. Eric Brown questioned if the EEB votes not to approve, what is the consequence? Bert stated that there would be no deal.

Commissioner Smith questioned if there was a legal view from the utilities. Commissioner Klee stated that they are not clear on the issues of the utilities and the EEB. Pat McDonnell stated that the JP Morgan deal provides minimal savings to UI. He stated that they have a limited amount of capital to loan out. He stated that they would be able to do an additional program, but there are no dollar savings. He stated that for them, it's a budget implication. He stated that it's a better deal than what they currently have. Bert Hunter stated that the cost of capital is about 5 and change. Commissioner Klee stated that the transition cost will go away. Bert Hunter stated that the overall savings are about \$1.7 million in the 4<sup>th</sup> year, per year.

Chris Plecs stated that there is a difference between the cost of capital for UI and Eversource. He stated that it's more expensive to Eversource. Eversource sees the monies as taxable. He stated that they benchmark to other capital providers in the market and it looks like they would be paying JP Morgan a lot for using the money. Commissioner Klee questioned if it was a money saver. Chris Plecs stated no. He stated that they see that there may be a better way to achieve the goals. Commissioner Klee stated that there are savings. He stated that he was concerned that they were going to lose out on saving. He stated that this is only step one of a multistep evolution. Bert Hunter stated that it's important to point out and keep in mind the result of the RFP process. He stated that this was the best in the market. He stated that as part of the proposal, which they had made explicit in the RFP, after not only initial funding but a commercial paper facility, which is typically cheaper. He stated that they can't go to commercial paper until they get to a certain amount. He stated that this is part of the vision to bring in cheaper capital.

Commissioner Smith stated that they are all in agreement that there is a value within this for customers. She stated that the Green Bank's position is that they are doing it basically at cost. She stated that the risk issue may not be ideal overall, but to Bert's point, this is where the market is telling us we need to be right now. Bill Dornbos stated that the cost of the risk is a specific area that the Energy Efficiency Board had concerns with. Commissioner Klee stated that a change in risk would require a new RFP. Bill Dornbos stated that the allocation between the CEEF and the Green Bank was the issue. He stated that the focus was on the allocation of risk, administrative costs, and the charging of the interest rate. He stated that there was no talk about another RFP.

Commissioner Klee stated that they have an existing structure where the risk is on CEEF and there is a new structure that will keep it that way, but that appears to be unacceptable.

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Taren O'Connor stated that the concern is with CEEF and the Green Bank, the sharing of the cost and the risk. She stated that they want it to be a bit more equitable. Brian Farnen stated that this was proposed because the CT Green Bank was asked to go and seek out the cheaper cost of capital. He stated that the Green Bank felt that this was a charge of obtaining the cheaper cost of capital not taking on any type of risk for the program.

Jeff Schlegel stated that they need to trust the process. He stated that they've had a very long discussion at the last Board meeting and set up a process to follow up on key things. He stated that the Green Bank will be involved in that.

Eric Brown questioned if the next Commercial and Industrial (C and I) Committee Meeting would be where the Green Bank would come back and where there could be some accommodation between the Green Bank and the Efficiency Board. Commissioner Klee questioned why that was not happening now. Jeff stated that it wasn't scheduled to be. He stated that there are additional people involved that wanted to discuss this directly.

Diane Duva stated that this is an example where the Joint Committee helps to facilitate, topics and issues that the Chairs of the Green Bank and the Chairs of the Efficiency Board might have questions. Eric Brown stated that they are trying to get a better handle on what the process is. He questioned what the process would be after the meeting. Jeff Schlegel stated that the conclusion would be either the same proposal or revisions of that proposal. He stated that they were expecting that the Board would not need to make another vote until legal documents were done. He stated that the Board has already voted in favor, they just have some concerns. He stated that they will continue to explore this and will address those issues in a Board decision. Eric Brown stated that they need a final proposal presented to the EEB for a final vote. He questioned if that could happen at the next EEB meeting, November 8<sup>th</sup>. He questioned if that was the goal. Taren O'Connor stated that would be great. Jeff Schlegel stated that the final ultimate vote on the legal documents would be however long it takes, but the final vote on the proposal could happen. Commissioner Smith stated that any change would have to go back to the Green Bank Board as well. She urged the EEB to look favorably on this. She stated that the Green Bank, in her opinion, is trying to lower the cost of capital. She urged the Committee to put aside some of the risk issues and know that they are very open to addressing them in the future. She urged them to come to some kind of a resolution without undermining the whole program.

Eric Brown stated that they need to agree to a process and hopefully a timeline for a final vote in November. He stated that he feels it's very important to get to finalization on this. John Harrity stated that he's aware of the question of risk, but how real would the idea be that those risk components would come into play. He also noted, based on his career in labor negotiations, to not let perfect be the enemy of the good.

Jeff Schlegel stated that he appreciated all of the work that has gone into this. He stated that this has been a challenging area, but an area where they can all work together in good faith.

## **6. Public Comments**

There were no public comments.

## **7. Discussion by the Joint Committee of the Chairs' and Vice Chairs' Feedback**

Diane Duva requested that they discuss the questions that needed to be focused on from each sector.

Taren O'Connor discussed Single Family Residential. She stated that things are on a good path forward. Kerry O'Neill stated that they need to focus on where they using the dollars that they have left. She stated that those are some of the choices that they need to make.

Commissioner Klee said his priorities were solar plus storage and renewable heating and cooling and questioned the Storage Plus side. Ron Araujo stated that they are working on a pilot with the Green Bank for those customers that don't have access to natural gas to have them go deep with weatherization that way it's well insulated and they can do a heat pump.

Diane Duva questioned what can everyone do to support the CT Green Bank in pursuing sustainable financing in the Government Sector beyond state bonding. Commissioner Smith stated that Bryan Garcia and his team have been working on a different approach on ways for the state level. She stated that you can't just think of the bonding. She stated that that makes it much more challenging to find alternatives.

Chris Plecs questioned that if 50% of the JP Morgan funds were allocated would that affect the bonding? Commissioner Smith stated that it would not as it's not bonding. Chris Plecs asked what if it were to go through the JP Morgan Facility? Commissioner Smith stated that it would depend on who was on the hook to pay it back. Commissioner Klee stated that where they are currently, it doesn't count against the bond cap. He stated that this is on the larger financing projects. He stated that the Green Bank is looking for alternative ways to do those larger projects. Bryan Garcia stated that they're thinking about contract standardization and procurement through PPAs.

Bert Hunter stated that they are trying to deliver solar starting with the Connecticut State Colleges and Universities (CSCU), which is about \$8 million. He stated that the first step is to get a PPA. He stated that that's a key because the equipment is off the State's balance sheet. He stated that it would sit on the Green Bank's balance sheet. He stated that they would be assuming a performance risk. He stated that they're going to try to pivot off that model into an Energy Savings Agreement. He stated that they would enter into an ESA with an agency. He stated that if energy savings are delivered the agency would pay. He stated if the energy savings are not delivered the agency would not pay.. He stated that that is not a bond issuance by the state, it is by the Green Bank. He stated that that's one of the avenues that they are pursuing. He stated that they are coming out of a five-year pilot called Campus Efficiency Now with the University of Hartford and



University of New Haven, and that they are learning that there are savings there. Diane Duva stated that they must continue to work together on financing alternatives.

Taren O'Connor questioned if the language on multifamily financing on the Green Bank's website had been changed. Kim Stevenson stated that no, they have not done this integration as of yet. Before the Green Bank agrees to make modifications to its multifamily web page, CGB needs to see projects coming in from the utility companies/pipeline. The Green Bank does not wish to dilute its brand or messaging, for a process that is currently working to originate and finance EE and RE projects. Kim Stevenson stated that the Green Bank has not received any multifamily referrals for financing from the utility companies (though the joint Multifamily Initiative). The Green Bank is sourcing the multifamily deals it finances through direct outreach to and work with property owners. She stated that they fully recognize the need and the desire to do it, but the Green Bank's goal and mission are to leverage and finance deeper measures. She stated that they are not getting that through the utilities. Ron Araujo stated that it is recognized and that they are planning on getting there on integrated projects, and that there has been significant non-financed efficiency upgrades in the multifamily sector. He stated that they are making sure that the program is aligned. He stated that they have had their contractor meeting. He stated that they did not have their customer or multifamily meeting as of yet.

Kim Stevenson stated that multifamily housing is a hard market. She stated that when they are doing deeper measures they are seeing transformational impacts on buildings. She stated that they are able to take care of health and safety issues, replace roofs, and move to new insurance levels. She stated that this is a source of found money to help improve the housing stock.

Commissioner Klee stated that those are the things he's excited about. He stated that the Green Bank has been able to do really innovative things. He stated that he wants to see more of that good work happening and that needs to be the focus.

Ron Araujo stated that they are seeing a lot of projects come through, but what is missing is the solar component. He stated that folks don't view their buildings as part of their business. He stated that even if there is good financing they need to work jointly.

Eric Brown stated that it sounds like the collaboration is ongoing and that they are all conceptually on the same page. Kim Stevenson stated that they will keep moving forward and pushing the envelope.

## **8. Regular Meeting Schedule for the Joint Committee for 2018**

Eric Brown stated that the next Joint Committee Meeting will be in January. Bryan Garcia stated that in the past they have rotated locations. Diane Duva stated that they can visit rotation. She stated that the dates will remain, and the meeting in January will be held in Berlin at Eversource Energy. She stated that they will get a consensus from the committee on rotation and set the meeting locations accordingly.

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Eric Brown thanked the group for their hard work.

**9. Other business**

There was no other business discussed.

**10. Adjourn**

Eric Brown adjourned the meeting at 3:19 p.m.

Respectfully Submitted,

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Eric Brown, Chairperson