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CONNECTICUT
GREEN BANK

Statement of the Connecticut Green Bank
Concerning Governor's Senate Bill 11
AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE
FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES

The Connecticut Green Bank is the nation's first green bank. We're creating a thriving marketplace to accelerate green energy adoption in Connecticut by making green energy financing accessible and affordable for homeowners, businesses and institutions. Our mission is to lead the green bank movement by accelerating private investment in clean energy deployment within Connecticut, and to achieve economic prosperity, job creation and energy security throughout the state.

Since the Green Bank's creation in 2011, we have supported 17,179 clean energy[1] projects by financing $156 million and offering $86 million in incentives; we have made customers far less reliant on these incentives, as they are now 80% lower than they were in 2011. As a result, we have created $750 million in project development, generating 172 megawatts of clean energy and creating 10,895 of direct, indirect and induced job-years of economic activity.

Section 158 of Senate Bill 11, with a conforming change in Section 157, removes the Connecticut Green Bank's ("Green Bank's") ability to access bond funds from the Renewable Energy and Efficient Energy Finance Account, established through C.G.S. § 16-245aa. The Green Bank **supports** this proposal.

Background on the Renewable Energy and Efficient Energy Finance Account ("REEEFA")

Public Act 07-242 created REEEFA, with a bonding amount originally set at $50 million. It was reduced to $18 million in 2010 as part of Public Act 10-44. The program was administered by Connecticut Innovations until 2012 when Public Act 12-189 shifted its custody to the Clean Energy Finance and Investment Authority ("CEFIA"), which became the Connecticut Green Bank through Public Act 14-94. REEEFA's funding was reduced from $18 million down to $8 million through the 2015 bond bill in Section 191 of Public Act 15-1.

[1] Inclusive of both renewable generation and energy-saving efficiency measures

Rationale for Supporting Section 158 and 157 Repealers

The Green Bank was created to be nimble, using the tools of finance to attract private capital toward public purpose investment. In an era of constrained public resources, this model of public-private partnership is ever more important. Other states have begun adopting this model, as they learn the dynamism of Yankee ingenuity.

In the spirit of doing more with less, and with full cognizance of the state's fiscal pressures, the Green Bank wants to do its part to help create room under the state bond cap. Thus we had proposed back in late 2015 to the Office of Policy and Management that the REEEFA bond authorization be foregone. Although there is no shortage of productive uses for these funds, in the specific case of REEEFA we believe we can find other methods of de-risking private sector lending for clean energy purposes while still creating substantial economic activity and job creation. One such method will come through our development of "green bonds," as we work under our existing statutory authority to create bond products for the market that help capitalize local projects.

In 2015 we did have Board-approved plans for the use of REEEFA proceeds. We planned to use the account to draw local lending toward residential solar PV leases, and energy service agreements for residential energy efficiency – in both cases toward households that were 60%-100% of the area median income. These innovative structures would have democratized access to energy bill savings for hard-to-reach low-income market segments. We also planned to leverage REEEFA to attract triple its own amount from regional and national banks to finance the expansion of small and mid-size solar projects for towns and cities and non-AAA credit small businesses – creating jobs, putting clean power on the grid, and saving money. As a quasi-public authority that is not directly tied to the state's General Fund, there are fewer ways to participate in the shared sacrifice requested by the taxpaying and ratepaying public. We have identified REEEFA as one area where we can give back, and where we might be able to develop substitutions that enable us to meet the same policy aims.

Green Connecticut Loan Guarantee Fund

The Green Bank is, however, applying to the State Bond Commission to access $5.0 million from the Green Connecticut Loan Guarantee Fund (GCLGF). The Green Bank is empowered to tap into this fund through Connecticut General Statutes 16a-40d and 16a-40f.

If we succeed in securing the $5.0 million in GCLGF proceeds, our Board of Directors has approved them for the following uses:

1) $1.5 million will be used as a loan loss reserve attracting $16.5 million of investment from local community banks (e.g., Eastern Savings Bank) and credit unions (e.g., Nutmeg Credit Union) to finance residential clean energy, health, and safety measures (e.g., asbestos remediation, mold removal, etc.) that support the implementation of Connecticut's Comprehensive Energy

Strategy. This investment is anticipated to support 966 Smart-E loans, which would generate approximately 462 jobs, add 3.6 MW of residential solar photovoltaic ("solar PV") capacity, and save 11,860 MMBTUs.

2) $3.5 million will be used as a loan loss reserve attracting $24 million of investment from regional banks (i.e., First Niagara Bank and Webster Bank) and $23 million from a national bank (i.e., U.S. Bank) to finance residential solar photovoltaic projects through an innovative lease structure. This investment is anticipated to support financing for approximately 1,300 new projects, leading to nearly 11 MW of installed solar PV capacity and creating up to 724 jobs.

In both of these project groups, the bond proceeds would be immediately usable towards shovel-ready development that leverages private capital and carries local economic benefits – both for project contractors and for the host facilities undergoing improvement. Funds would be used as guarantees for local lenders should there be loan or lease defaults on the residential clean energy improvements.

Thank you for the opportunity to testify on behalf of this legislation.

Respectfully submitted,

Bryan Garcia
President and CEO