



## Energy Efficiency Board Monthly Meeting

Wednesday, October 11, 2017, 1:00 – 3:30 PM

Energize CT Center, 122 Universal Drive N., North Haven, CT

### MINUTES<sup>1</sup>

#### In Attendance

Voting Board Members: Taren O'Connor (EEB Chair), Bill Dornbos (EEB Vice-Chair), Mike Wertheimer, Eric Brown, Neil Beup, Diane Duva, Jack Traver, Ravi Gorthala, Adrienne Houel, Amanda Fargo-Johnson (phone)

Utility Board Members: Pat McDonnell, Chris Plecs, Ron Araujo, Roddy Diotalevi, Will Redden (phone)

Board Members Not in Attendance: None

Board Consultants: Jeff Schlegel, Les Tumidaj, George Lawrence, Glenn Reed, Craig Diamond, Chris Kramer (phone)

Others: Pam Penna Verrillo, Donna Wells, Fred Mascola, Vinay Ananthachar, Walter McCree, Mary Sotos, Eric Gribin, Bert Hunter, Anthony Clark, Mackey Dykes, Mark Thompson (phone), Guy West (phone), Tyfannie Mack (phone), Mark Thompson (phone)

#### Process

##### Minutes

The Board considered whether to approve the minutes from August 9 and September 13, 2017 Board meetings. The Board decided to vote on both sets of minutes in an electronic vote. Mr. Plecs requested edits to both sets of minutes; the edits were incorporated into the drafts. An e-vote on both sets of minutes was conducted on 10/16/17, and both sets of minutes were approved. **August 9 and September 13, 2017 minutes approved.**

##### Public Comments

None

##### Evaluation data cost issues

Mr. Brown said he would abstain on the electronic vote on the Board's letter to DEEP on the data costs. Mr. Diamond said he would send out the final vote tally (the Board approved the letter via e-vote on October 6-7). Several Board members said that e-votes should be done less often, and only when necessary.

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<sup>1</sup> Meeting materials available in Box.com: <https://app.box.com/s/sk69c4hyel54ki8vt4trt7cpt8p5w6db>

### Status of CEEF financial and operational audits

Mr. Mascola said that the accounting firm Blum Shapiro had been selected for the audits. He said the price was \$121,000 (total for the financial and operational audits). He said the completion dates were January 31, 2018 for the financial audit, and November 30, 2018 for the operational audit.

Mr. Brown announced that he had been appointed to the CT Green Bank Board of Directors. Ms. Duva said DEEP was pleased to see Mr. Brown appointed to the CGB Board, and looked forward to working with him in that capacity.

### Programs and Planning

#### 2018 Plan Update

Mr. Plecs and Mr. McDonnell said the Companies planned to file the 2018 Plan Update on Nov. 1. Mr. Schlegel asked if the filing schedule could accommodate waiting on a vote for the Performance Management Incentive (PMI), the Program Savings Document (PSD), and the Public Input Summary. Mr. Schlegel said that there was still some questions about the PMI, in particular whether an incentive should be added related to the SBEA program, and whether a metric for Time-of-Use should be included. It was agreed that the Board could approve all the remaining elements of the 2018 Plan Update today, and approve the three components listed above in an e-vote or at the November Board meeting. Mr. Ananthachar and Mr. Mascola provided a presentation on the Plan Update. Mr. Brown asked why funds were being transferred to the marketing budget from the Residential Retail program. Mr. Araujo said that the Residential Retail program had been reduced because LEDs were selling at higher volume, and the costs of LEDs have declined, so fewer incentives are needed for LEDs. Mr. Dornbos commented about the leveraging of the programs, i.e, the ratio of customer funds spent to CEEF funds spent. He suggested that we add that leveraging component to planning and to Board communications (such as the annual legislative report). Mr. Schlegel noted that the outcome of the legislative process could result in changes to the Plan (e.g., if there was a cut in RGGI). **Motion: vote to approve all remaining elements of the 2018 Plan Update (including the revised budget, goals/benefits/costs, and the plan text) except for the PMI, PSD, and Public Input Summary. Mr. Gorthala moved to approve, Mr. Traver 2<sup>nd</sup>. All present voted yes, except for Ms. Duva who abstained.**

#### EEB comments on Comprehensive Energy Strategy

This topic was not covered at the meeting due to time constraints at the meeting.

#### SBEA Financing Proposal

Mr. McDonnell said that for UI the current proposal would not increase or decrease costs, but would allow UI to make more capital available for currently capital-constrained programs. Therefore, he said that UI supports the proposal. He said that UI would initially use the additional capital for municipal customers before deciding to use the capital for small business customers. He said UI would re-evaluate which customers to focus on with the additional capital based on experience with first round of funding. Mr. Plecs said that Eversource's position on the current proposal was that it would like JPMorgan to take on more of the risk for losses. He said that Eversource believed JPMorgan's interest rate was too high given that the

bank was taking on very little risk. He said that Eversource believed that CEEF funds should not be used for covering this risk, and would like to find other private sources of capital where they can cover more of the risk. Mr. McDonnell said he generally agreed with Mr. Plecs that lenders should take on more of the risk. Mr. Schlegel noted that these were not secured loans, so one would expect lenders to ask for terms that might be less favorable than for secured loans. He also noted that the JPMorgan proposal had been known for several months. Mr. Schlegel said that although the current proposal might not be the best deal for Eversource, it was the best option we've had in more than four years of trying to achieve the goal of recapitalization. Mr. Wertheimer said that the Green Bank should be taking on more risk, since the Green Bank was a bank and part of its function should be to take on more risk. Ms. O'Connor agreed with Mr. Wertheimer, and she asked if the Green Bank should take on more risk relative to the CEEF. Mr. Plecs said that banks have said that they would take on more risk if they had more control over the application process. Mr. McDonnell asked what the Companies' statutory obligation was with this issue. Ms. Houel noted that you cannot compare these loans with 30 year mortgages, since they are shorter term and unsecured. Ms. Fargo-Johnson said she agreed with Ms. O'Connor and Mr. Wertheimer about the role of the Green Bank. She noted that the default rate for SBEA loans had been very low historically, so what was the real risk for the CEEF? Ms. Sotos said that the current and future risk profiles for the CEEF were identical, and she asked what the implications of that were, particularly if we would be realizing more energy savings. She also noted that the goals of the SBEA recapitalization effort seemed to have shifted.

Mr. Kramer provided a presentation providing an analysis of the current proposal. He focused on the percent of total costs to the CEEF (fixed costs vs. risk costs) under different loss scenarios. Mr. Plecs said the current proposal was the Green Bank's proposal, not the Companies' proposal. In response to Mr. Plecs, Mr. Tumidaj said that C&I Committee had assumed all along that the Companies had the ultimate responsibility for the proposal. Ms. Duva said that she thought it had been a collective effort, and not necessarily the Companies' sole responsibility. She said that the questions being asked about the allocation of risk were good questions, and she wanted to hear from the Green Bank why they were not taking on certain costs. Mr. Clark noted some key questions that had been asked: 1) Is the JPMorgan proposal a good deal? 2) How should costs be allocated among CEEF, the Green Bank, and the Companies? He clarified that risk had not been a criterion of the process from the beginning, and therefore the criterion of risk was not included when they went out to the market for proposals. He said the key criteria were low cost of capital and flexibility. He said that JPMorgan might not be the best deal, but it was a good deal for now, particularly since CT was a high risk state right now. He said the Green Bank was committed to finding a solution. He noted that the current SBEA program had been designed before the Green Bank existed, so the Green Bank did not have input into the design of the current program, in particular its 0% interest rate. He said the Green Bank Board did not want to take on risk associated with 0% loans, and that structuring the program that way was a CEEF decision, and that the Green Bank would not have structured the program that way. There was some discussion regarding the Green Bank's willingness to offer 0% loans.

Mr. Traver said he would like to have a discussion about the administrative costs in the proposal and the interest rate buy-down. Mr. Clark said the risk cost was marginal and was a

distraction from the more important cost issues. A question was asked about what the total cost would be if you took out origination and servicing costs. Mr. Clark said that there were legal and other costs for the proposed Green Bank LLC. Mr. Clark discussed “steady state” savings as \$1.7 million. He said he thought that was the key number. Ms. Houel said she wanted to discuss the potential for JPMorgan or the Green Bank to have more control over underwriting and offering better terms as a result. Mr. Hunter said that it would be a very big effort for JPMorgan to change the basic terms of their offer, so the Green Bank would need to go back to the market if a decision were made that the current JPMorgan proposal was not tenable.

In regard to process, Mr. Beup recommended that the C&I Committee continue the discussion of options and next steps following today’s Board meeting. He said he still had questions about the market demand for an SBEA loan product, and questioned whether the CEEF should be involved in financing.

Ms. Duva asked about the \$3 million loan loss reserve. Mr. Clark said that it would come from the Green Bank balance sheet, which consisted of several sources of funds/capital. Mr. Brown read a portion of a letter to the EEB from Commissioners Smith and Klee. He said that there needed to be a sense of urgency, and that the issues needed to be resolved quickly; otherwise we could lose JPMorgan offer. Mr. Beup said it was most important to get the decision right.

Mr. Wertheimer said he was concerned about Mr. Brown’s dual role as EEB member and Green Bank Board member. He said he was not suggesting Mr. Brown resign from EEB, but that perhaps Mr. Brown needed to recuse himself from discussions/matters related to the Green Bank.

Mr. McDonnell said that UI was eager to move forward with a solution. Mr. Clark noted that the UI and Eversource positions and needs were very different, and that any solution would need to meet the needs of, and be supported by, both Companies.

**Other**

None

**Closing Public Comments**

None

**The meeting adjourned at 3:45 pm.**