Connecticut Green Bank (CGB)

Request for Proposals (RFP) for Alternative Financing Solutions for the Small Business Energy Advantage Program (SBEA)

Questions & Answers

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1. **Q:** Is there detailed information available on the exiting pool of loans (maturity, rate, size, etc.)?
    - **A:** Please see the associated "SBEA Program Loan Stats" spreadsheet and "SBEA Private Capital Plan Background" presentation (both posted as links on the RFP website). Please note: ALL loans have a customer facing interest rate of 0% as the cost of funds. Presently the Utility cost of capital is, and going forward – pursuant to the objectives of this RFP – the cost of privately sourced capital will be, absorbed by the CEEF annual budgets.

2. **Q**: How are SBEA LLC Loan projections derived?
    - **A**: CGB, in conjunction with the utilities, analyzed historical and year-to-date data (where applicable) to derive reasonable projections for the benefit of RFP respondents.

3. **Q:** Do the loans amortize in a straight line?
    - **A:** Yes – in equal monthly payments based on the loan term of up to 48 months.

4. **Q:** Is data available on geographic distribution of the loans across Connecticut to potentially be used for Community Reinvestment Act (CRA) purposes?
    - **A:** Town-level data is available for each SBEA borrower which in theory could be used to obtain CRA credit. The process by which this would be undertaken would need to be discussed and agreed upon with the Utilities given the confidential nature of the borrower-level data.

5. **Q**: Can you share details of any legal obligation that the CEEF must pay loan losses and interest rate buy-downs for the program? Or would the CEEF Board be willing to approve a guarantee (either in full or partially)?
    - **A**: The legal obligation of the CEEF to pay loan losses and interest rate buy-downs in the current SBEA program comes from both CT Department of Energy & Environmental Protection (DEEP) and the Public Utilities Regulatory Authority's (PURA) approval of a plan by the utilities under the C&LM Plan, which includes funding for SBEA loan loss recovery, interest-rate buy down and administrative expense recovery, and which in turn was approved in a Docket.

      Under the proposed recapitalization of the SBEA program, the undertaking of the CEEF to cover loan losses, interest rate buy-downs, and administrative costs for private capital in a new LLC structure needs to be approved by PURA. Documentation for this CEEF support, which will continue to be budgeted annually is not available at this time as the language will be determined in part by the selected recapitalization structure approved and chosen by the Utilities, EEB, and CGB, which will then be subject to a docket before PURA.

CGB does not believe a "guarantee" by the CEEF will be feasible – as this could be structurally difficult to achieve (given the "virtual" nature of the CEEF). Moreover, such a guarantee would likely be rejected by the Utilities and the EEB since such a guarantee would deviate materially from the existing undertaking which is structured as a permitted use of CEEF funds.

6. **Q:** Given that the CEEF is a virtual fund that sits on the utilities' balance sheets, how will disbursements to SBEA LLC be documented?
    - **A**: Loan loss and interest rate buy-down reimbursements are permitted use of funds of the CEEF (as described above). It is the intention to confer that use of funds for the benefit of an SBEA LLC, in coordination with PURA, which regulates all CEEF disbursements. Once approved, the Utilities and SBEA LLC would document the flow of funds (from the Utilities to SBEA LLC) in a "program agreement" to govern the overall arrangements. The annual funds will be budgeted in the C&LM Plan.

7. **Q:** How is the CEEF funded?
    - **A:** The CEEF is funded by a surcharge on electricity rate payers in Connecticut, along with the Regional Greenhouse Gas Initiative (RGGI), and funds from the Independent System Operator-New England's (ISO-NE) forward capacity market. Fund income is estimated to reach $192.7 million, $206.0 million, and $203.9 million in 2016, 2017, and 2018 respectively. The CEEF is not part of the Connecticut General Fund (i.e. it does not fall under the general Connecticut State Budget).

8. **Q:** Is there any known way for the State of CT to claw back any of the revenue streams related to the CEEF source of funds (Mill Rate, ISO, CAM, and RGGI)?
    - **A:** In the 2016 legislative session, a portion of RGGI funds received by the State of Connecticut were redirected to general revenues of the State of Connecticut. There is no precedent for the Mill Rate, ISO funds, or the CAM being redirected. However, it should be noted that to compensate for such exposure, approval is being sought for recovery of SBEA costs (loan losses, interest rate buydowns and administrative costs) via Utility recovery from electric ratepayers in the event CEEF funds are sequestered, redirected, or terminated. Accordingly, proposals should assume that such approval is granted.

9. **Q:** Are any of CGB's revenue charges subject to the State, its budgetary process, or any other process that would negatively affect the CGB's role, and/or guarantee, for the new SBEA LLC structure?
    - **A:** CGB and its funding mechanisms are established in Public Act 11-80. It is conceivable though not anticipated that the legislature could adjust CGB's funding mechanisms in a future legislative act.

10. **Q:** Would the utilities (and/or Green Bank) be willing to put up a guarantee as a second line of defense if something happens with the CEEF?

- **A:** The Utilities would not be willing to provide a guarantee. CGB may be willing to provide a guarantee depending upon the PURA-approved undertakings noted in Question [#5] above. So the RFP proposals may consider: (a) no CGB guarantee – but some amount of capital in the structure in the form of subordinated debt (such as $2-$5 million), (b) a limited guarantee up to a dollar limit (e.g. $5-$10 million overall, inclusive of the subordinated debt noted in 10 (a)), (c) a full CGB guarantee without limit – bearing in mind CGB's outlook that the security in the overall structure is very high, and CGB's preference to maximize private capital deployed per allocated CGB dollar.

11. **Q:** Please explain more about the process of setting, approving, and changing mill rates.
    - **A:** The 3 mill electric rate is established in statute. The only way to change this mill rate is to have the legislature enact legislation to do so. The additional 3 mills for electric are approved by PURA in the annual C&LM CAM filing.

12. **Q:** Please explain why the 2018 Eversource CT Electric revenues from mill rate collections are projected to go down to $65.8 million from $66.8 million.
    - **A:** Reductions in mill rate collections are expected due to an anticipated slight decrease in energy consumption.

13. **Q:** Please explain what is causing the small decline projected from 2016 – 2018 for CAM for UI revenues.
    - **A:** This decline is also expected due to an anticipated slight decrease in energy consumption.

14. **Q:** Why are Eversource CT Electric revenues from "ISO New England" projected to jump from $9.7 million in 2016 to $20.2 million in 2017? Also, why are UI revenues from projected to jump from $2.7 million in 2016 to 5.2 million in 2017?
    - **A:** These revenues are based on the clearing price of the ISO-NE Forward Capacity Market auctions and calculated as Capacity Supply Obligation * Forward Capacity Market Payment Rate. The Market Payment rate rises in 2017.

15. **Q:** Please explain what has gone into the CAM projections in the 2016 – 2018 CEEF budget from natural gas revenue sources? Historically, what has driven changes in this as determined by the utilities?
    - **A:** Gas CAM revenues are based on forecasted CAM sales in ccf multiplied by the CAM rate of $0.046/ccf plus or minus prior year carryover funds. The increase in natural gas revenue sources has been driven by an increase in both the CAM rate and gas sales.

16. **Q:** Have the utilities ever proposed a change to mill rates or CAM in the past that has been rejected by PURA?
    - **A:** The initial 3 mill electric rate is established in statute and can only be changed by legislation. The additional 3 mills for electric C&LM and the higher gas CAM rate of 4.6 cents/ccf started in 2014 and can be changed via an annual CAM filing process. PURA has never rejected any proposed changes by the Utilities.

17. **Q:** Please include some information outlining how PURA makes decisions (what is the process for settling rates, etc?).
    - **A:** What is relevant here is the process for approving the SBEA Program in the context of the C&LM Plan, which has been explained in the RFP document.