



Small Business Energy Advantage (SBEA) Recapitalization

Q&A Webinar
May 9, 2018



Outline

- Overview
- SBEA Program
- CT Energy Efficiency Fund
- Loan Portfolio Statistics
- Underwriting Criteria
- Program Structure
- Loan Servicing
- CT Green Bank Background
- Utilities Background
- SBEA Contractors

Overview

- Since 2000, Eversource and United Illuminating (the “CT Utilities”) have sponsored the Small Business Energy Advantage (“SBEA”) Program, funded with utility capital
- Connecticut Energy Efficiency Fund (“CEEF”) supports the SBEA program by
 - Providing interest-rate buydown (0% loans) and loan loss reimbursement for loans
 - Providing some financing for loans in addition to Utility capital
 - Providing for all servicing and administration costs
- CT Utilities, with Green Bank assistance, are seeking proposals from capital providers to purchase an existing portfolio of SBEA loans (approximately \$42m outstanding) and provide capital to fund future SBEA loans (current volume around \$25m new loans per year)
 - The goal is to obtain lower cost of capital while retaining similar origination (unsecured loans, utility bill payment history) and servicing processes (on-bill repayment)
 - The SBEA Program will continue to access to CEEF funds to provide both interest rate buy-downs, loan loss reimbursement and servicing and admin costs

SBEA Program Details

- SBEA Program provides loans for energy efficiency measures administered by the CT Utilities

- SBEA loans are:
 - Available to commercial, industrial, and municipal customers of Eversource or UI with average 12-month peak electricity demand between 10kW and 200kW
 - Repaid via the electric utility bill
 - For eligible improvements (both electric and gas measures) including efficient lighting, HVAC, refrigeration, and gas-saving measures¹

- Loan terms:
 - 0% interest
 - Up to \$100,000 for C&I customers and up to \$500,000 for municipalities
 - Maximum tenor 48 months

¹ Full list of eligible measures available in Appendix

CT Energy Efficiency Fund

Credit Enhancements & Support



- The Conservation & Load Management (“C&LM”) Plan set up under Connecticut General Statutes § 16-245m and § 16-32f provides for certain credit enhancements and support to the SBEA program from the Connecticut Energy Efficiency Fund (“CEEF”). These include:
 - Loan loss reimbursement of all losses incurred as part of the SBEA program
 - Interest rate buy-down to 0% so SBEA customers face interest-free loans
 - Providing for all servicing and administration costs
- CEEF is funded by a surcharge on electricity rate payers in CT, along with the Regional Greenhouse Gas Initiative (“RGGI”), and the Independent System Operator-New England’s (“ISO-NE”) forward capacity market
 - Est. fund income for energy efficiency programs of \$164m in 2018 and \$213m in 2019
 - CEEF disbursements are regulated by the Public Utilities Regulatory Authority (“PURA”)
 - Not part of CT General Fund

CT Energy Efficiency Fund

Credit Enhancements & Support



- CEEF is a ***virtual fund*** which sits on the Utilities' balance sheets – i.e., it is not a legal entity capable of entering into contracts or granting guaranties
- Anticipated budgets for loan losses and interest rate buy-down are budgeted at the commencement of each year based on historical losses, utility cost of capital, and expected loan volume for the year
- Annual true-up whereby any loan losses or interest rate buy-down in excess of the budget in a particular year will be recovered by an adjustment to the budget in the following year

Recapitalization Considerations

Primary considerations for recapitalization of SBEA Program:

- Cost of capital – provide the lowest cost capital possible into the facility
- Scalability –sufficient capital to purchase existing loan portfolio and finance future loans without capital restriction as facility grows over time
- Process –SBEA Program to retain existing origination and servicing processes, including repayment of SBEA loan on-bill, however loan payments may, if desired, be made directly from the RFP respondent to the Contractors (as opposed to from the Utilities to the Contractors at present).

Secondary considerations:

- Efficient usage of CEEF capital to free up CEEF capital for usage in other Utility programs
- Efficient usage of Utility balance sheet and shareholder capital, as needed
- Maintain similar utility administration processes and contractor payment methods
- Facility tenor – Utility would like to see solutions up to three years, with insight into pricing differences for one-, two-, or three-year options (i.e., a “walk away” option after 1, 2 or 3 years)

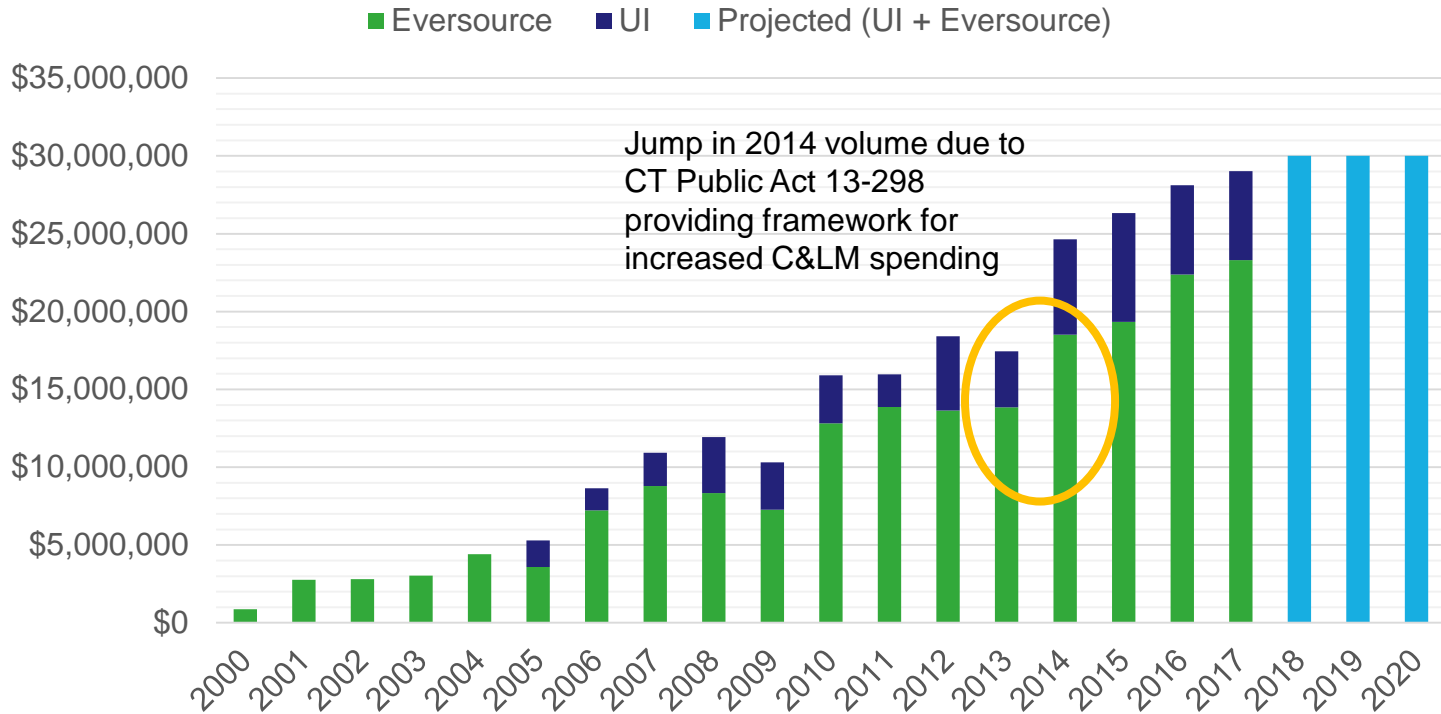
Other considerations:

- Green Bank participation as e.g. aggregator or provider of credit enhancement to facilitate lower cost of capital, where applicable

Historical & Projected SBEA Loan Origination Volume



Annual Loan Volume (\$)

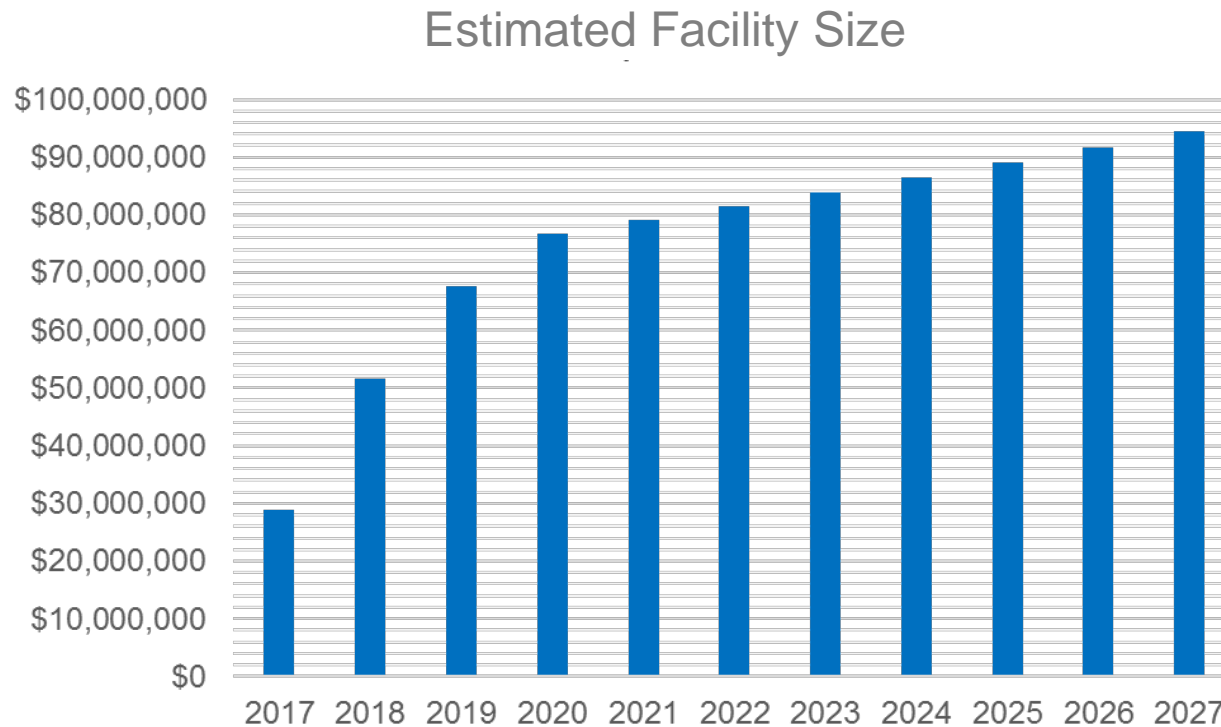


Seasonality of Loan Origination



Note: utility data has been pro-rated for Sept-Dec 2016

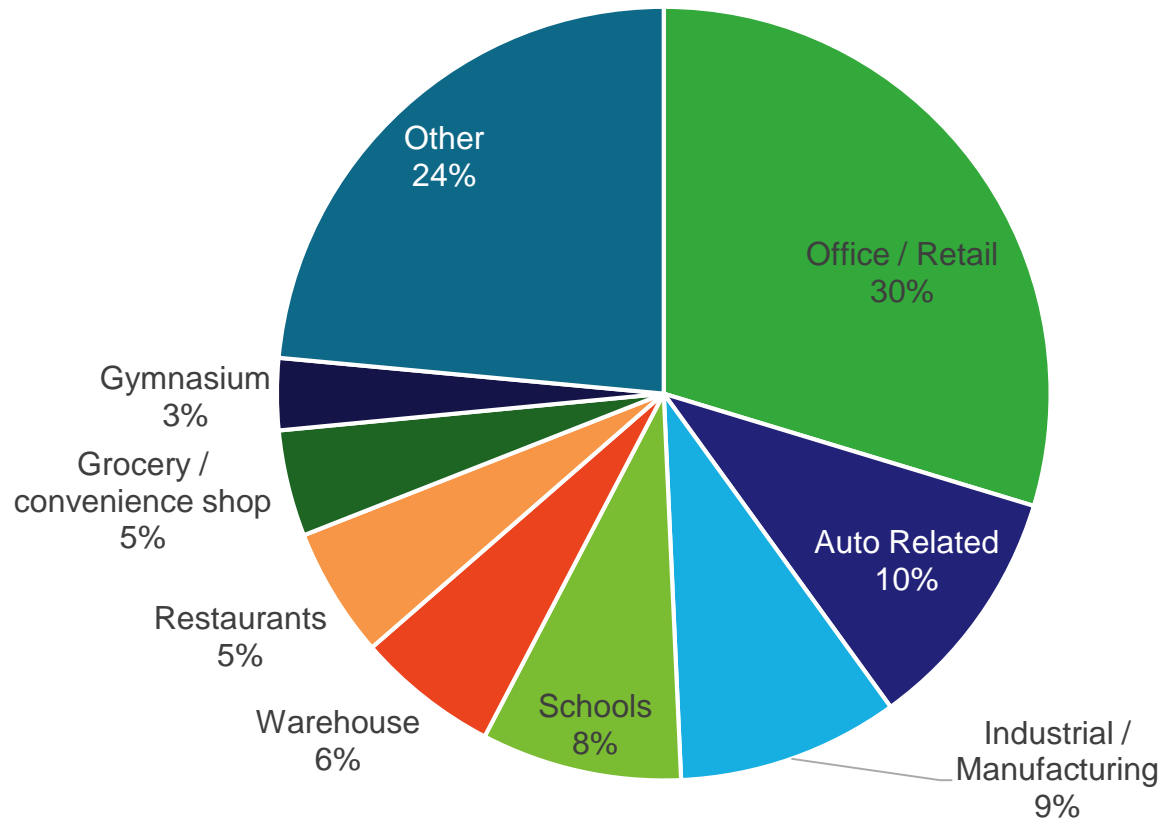
Pro-Forma SBEA Facility Sizing



Assumes annual loan origination growth of 3% and loan repayment based on 4-year tenor for all newly originated loans.

Loans by Sector

Loan Volume % by Sector



Note: data is for Eversource loans only, representing roughly 75-80% of total CT SBEA loan volume. 2016 data.

Loans by Customer Type

	Total Loan Volume (\$)	Total Loan Volume (%)	No. of Loans	Average Loan Amount (\$)
C&I	\$12,340,609	86%	795	\$15,523
Municipal	\$1,968,355	14%	68	\$28,946
Total	\$14,308,963	100%	863	\$16,580

Note: data is for Eversource loans originated in 2016 only, representing roughly 75-80% of total CT SBEA loan volume. 2016 data.

Loan Underwriting Criteria

Commercial & industrial customers must meet the following criteria:

- Eversource
 - No more than 4 late payments in 12-month period, or 2 in 6-month period
 - Late is defined as over 30 days past due
 - Must be current on the electric utility bill
 - Must not have payment arrangements
 - Must have an electric account and been in business for 1 year

- United Illuminating (“UI”)
 - No more than 4 late payments in 12-month period, or 2 in 6-month period
 - Late is defined as over 39 days past due
 - Loans over \$45,000 require credit check
 - Financing approved if credit review deems it “low risk”

Low Loan Write-offs

- Annual write-offs average less than 1% of annual loan volumes



Note: data is for Eversource loans only, representing roughly 75-80% of total CT SBEA loan volume.

Loan Collections Process

- Repayment is on-bill, loan payment included as a separate line item
- In the event that payment amount does not fully cover both electricity and loan, then:
 - Eversource: payment is applied first to electricity then to SBEA loan
 - UI: payment is applied first to SBEA loan, then to electricity
- In the event of non-payment (Eversource)
 - After 60 days customer receives phone call
 - If no payment 30 days from phone call, customer receives delinquency letter
 - If no payment 30 days from delinquency letter, account details sent to third-party collections agent
 - If no payment 90 days from being sent to collections agent, loan is written off

SBEA Contractors

- Formal RFP process for Contractors

- Eversource: RFP process every two years, with option for a 3rd year extension
 - Existing contractors must re-bid in to the RFP and are not guaranteed acceptance.
 - For 2017: 30 vendors approved (12 new since the last contract)
- UI: RFP process every 2 years, with option for 3rd year extension

- Eversource loans originated by 20 active contractors in 2016
- YTD (through 9/30/16) loan volume by contractor ranges from \$2.4m to \$124k
- Largest contractor has originated 17% of 2016 YTD loans

	2016 Loan Volume (\$)	2016 Loan Volume (%)	2016 No. of Loans
Contractor 1	2,396,517	17%	127
Contractor 2	2,000,182	14%	95
Contractor 3	1,552,805	11%	72
Contractor 4	1,140,140	8%	62
Contractor 5	801,641	6%	62
Contractor 6	783,548	5%	46
Contractor 7	680,241	5%	67
Contractor 8	600,811	4%	35
Contractor 9	573,103	4%	20
Contractor 10	526,130	4%	32
Contractor 11	525,159	4%	41
Contractor 12	483,571	3%	28
Contractor 13	453,371	3%	29
Contractor 14	429,486	3%	22
Contractor 15	400,025	3%	32
Contractor 16	264,163	2%	19
Contractor 17	226,712	2%	28
Contractor 18	205,994	1%	16
Contractor 19	141,517	1%	24
Contractor 20	123,846	1%	6

Eligible Efficiency Saving Measures

Lighting – interior/exterior

- High-performance lighting
- Induction and LED lighting
- Occupancy sensors
- Photocells

Heating/ventilation/air conditioning

- Energy-efficient equipment upgrades
- Programmable thermostats
- Energy management systems

Refrigeration

- Anti-condensation door heater controls
- Evaporator fan controls
- Night covers
- Electronically commutated motors
- Energy-efficient kitchen equipment

Natural gas-saving equipment

- Spray nozzles
- Showerheads
- Aerators
- Programmable thermostats
- Pipe and duct insulation
- Energy management systems
- Indoor boiler reset controls
- Heating equipment
- Water heating equipment
- Kitchen equipment
- Infrared space heaters
- Envelope measures

Other improvements

- Air compressors
- Variable frequency drives
- Premium-efficiency motors
- Custom measures

Contacts

Laura Fdao, Senior Manager

Laura.Fdao@ctgreenbank.com

(860) 263-0125

Anthony Clark, Associate Director

Anthony.Clark@ctgreenbank.com

(860) 257-2888