



CONNECTICUT
GREEN BANK

Small Business Energy Advantage (SBEA) Private Capital Plan

November 2016



Outline

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- CT Energy Efficiency Fund
- Loan Portfolio Statistics
- Underwriting Criteria
- Potential Program Structure
- Program Workflow/Operations
- Loan Servicing

Overview



- SBEA Program commenced in 2000 and benefits from enhancement/support from the Connecticut Energy Efficiency Fund (“CEEF”)
- Loans are predominantly funded by Utility capital, with additional “C&I” self-funding provided from CEEF in 2014
- In 2016, the CT Utilities and CT Department of Energy and Environmental Protection (“DEEP”) approached CT Green Bank (“Green Bank”) to explore options for funding the SBEA Program with private capital.
 - 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 (customers loans at 0%) and loan loss reimbursement.

SBEA Program Summary



The SBEA loans are:

- available to commercial and industrial, including municipal and state, customers with an average 12-month peak electricity demand between 10kW and 200kW located in Eversource and UI distribution territory;
- up to \$100,000 for commercial and industrial customers and up to \$500,000 for municipal customers:
 - UI allows municipal customers to take out up to \$500,000 in SBEA loans annually;
 - Eversource allows municipal customers to have up to \$500,000 in cumulative SBEA loans outstanding at any given time;
- 0% interest to the borrower;
- up to 48 months in tenor;
- repaid on the electric bill; and
- available for eligible efficiency improvements (both electric and gas measures) including lighting upgrades, HVAC, refrigeration, and gas-saving measures

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
 - Recovery of administrative expense
- 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 of \$192.7m in 2016, \$206.0 in 2017, and \$203.9 in 2018
 - Not part of CT General Fund, i.e. doesn’t fall under general CT State Budget
 - CEEF disbursements are regulated by the Public Utilities Regulatory Authority (“PURA”)

CT Energy Efficiency Fund

Credit Enhancements & Support



- CEEF is a virtual fund which sits on the utilities' balance sheets
- Loan loss and interest rate buy-down reimbursement will be disbursed to SBEA LLC from the utilities
 - Anticipated budgets for loan losses and interest rate buy-down are estimated annually and transferred to the control of SBEA LLC at the commencement of each 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.

Proposed Regulatory Change



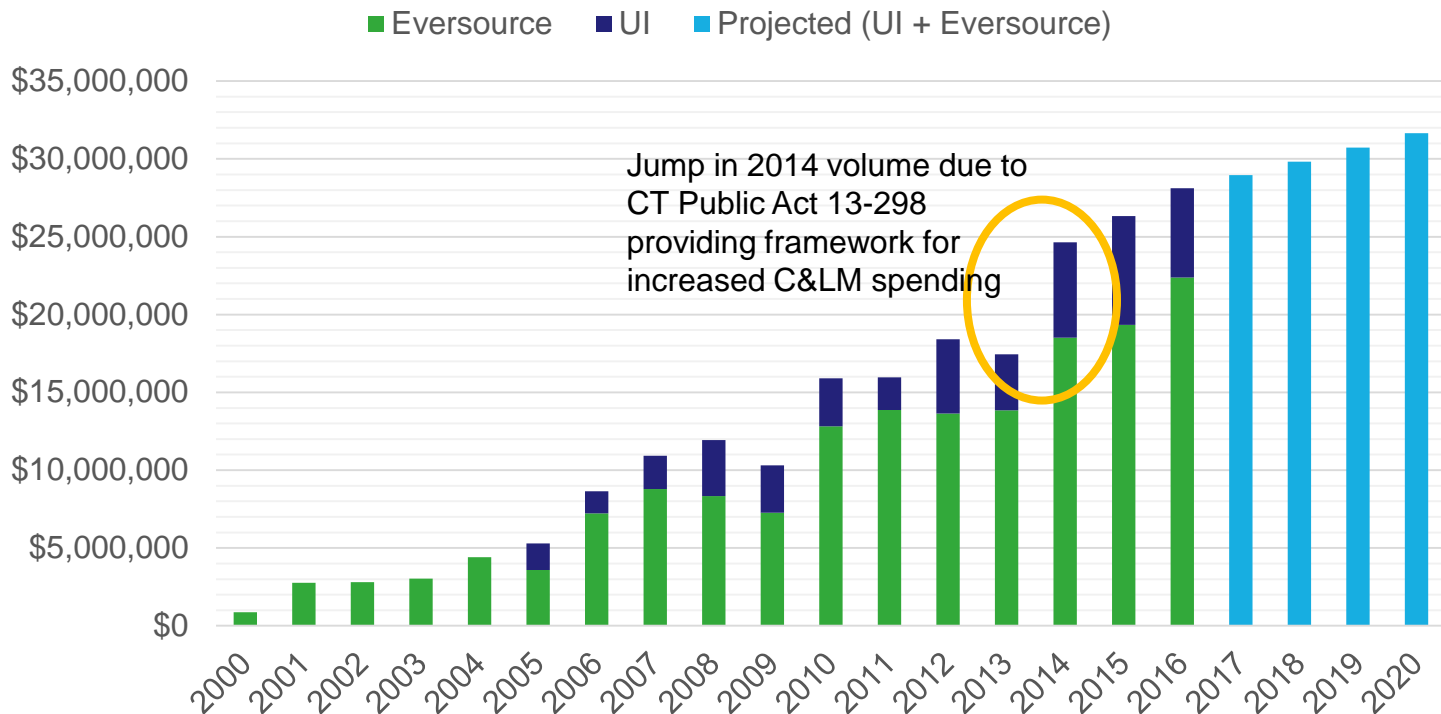
The CT Green Bank is working with utilities' legal and regulatory staff to determine the best approach to request DEEP and/or PURA assurances that:

- Existing CEEF credit enhancements and support features available to the utilities and included in their annual CEEF budgets for interest rate buy downs, loan losses, and administrative cost recovery will be made available to the Green Bank SBEA LLC and its private capital providers; and
- In the event that the SBEA Program is discontinued or CEEF funding is reduced and/or eliminated, funding for the enhancements and support features will continue to be available via CEEF or recovered via ratepayers in another manner during the “wind-down” period.

Historical & Projected SBEA Loan Origination Volume

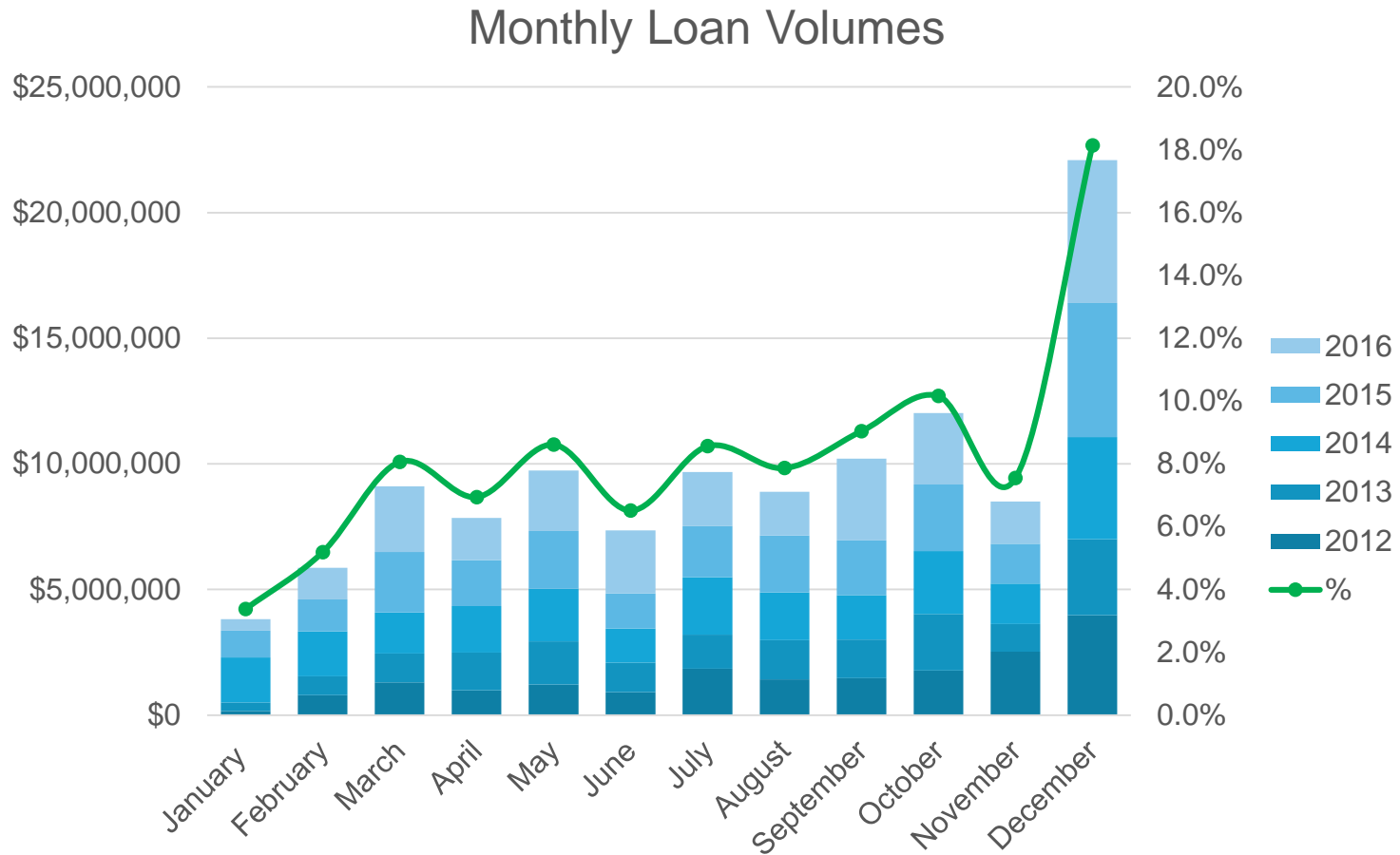


Annual Loan Volume (\$)



Note: utility data has been pro-rated to include Sep-Dec 2016 volumes; 2017-2020 loan volumes assume 3% annual growth in loans originated

Seasonality of Loan Origination

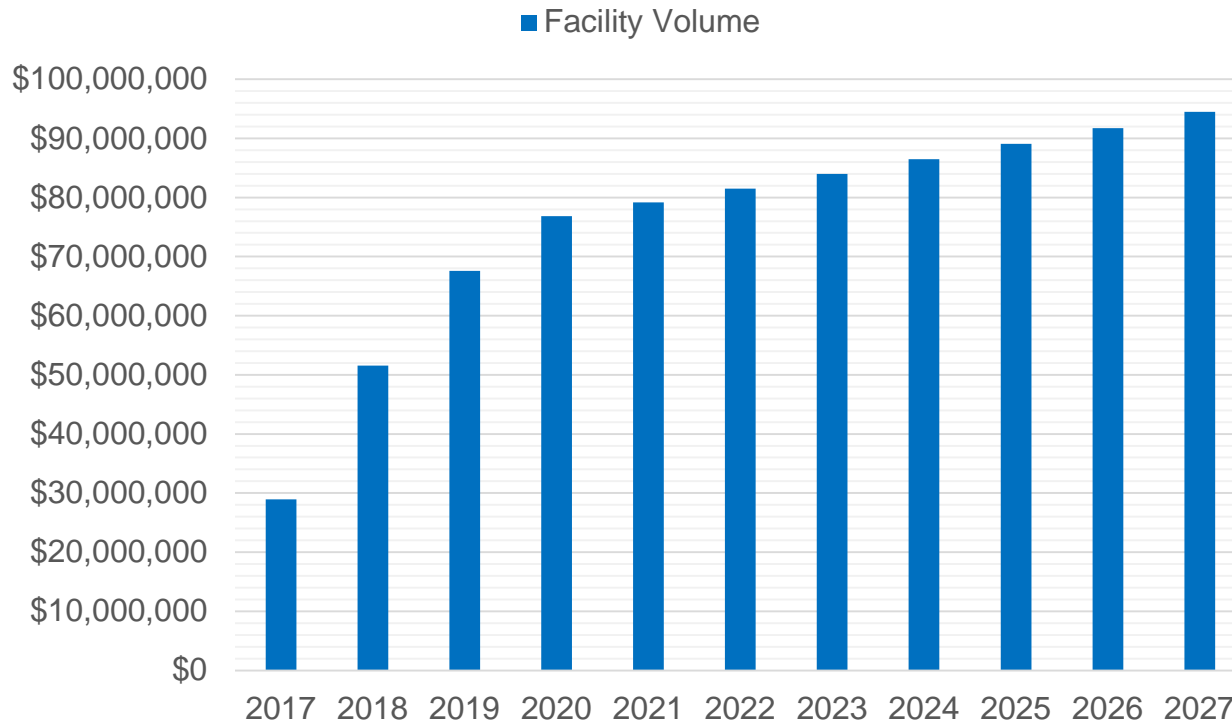


Note: utility data has been pro-rated for Oct-Dec 2016

Pro-Forma SBEA Facility Sizing



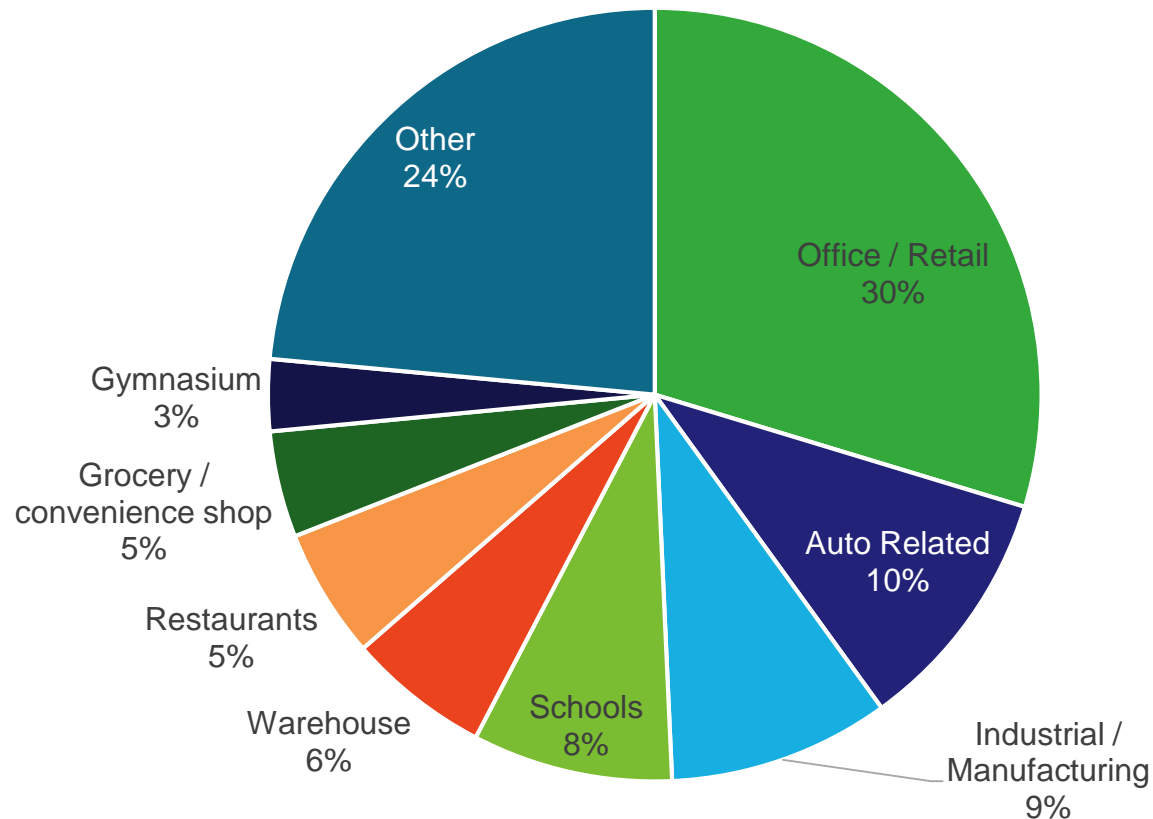
Estimated Facility Volume



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

2016 YTD Loans by Sector

Loan Volume % by Sector



Note: data is for Eversource loans only, representing roughly 75-80% of total CT SBEA loan volume. YTD as of 9/30/2016.

2016 YTD 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, YTD as of 9/30/2016.

Loan Underwriting Criteria

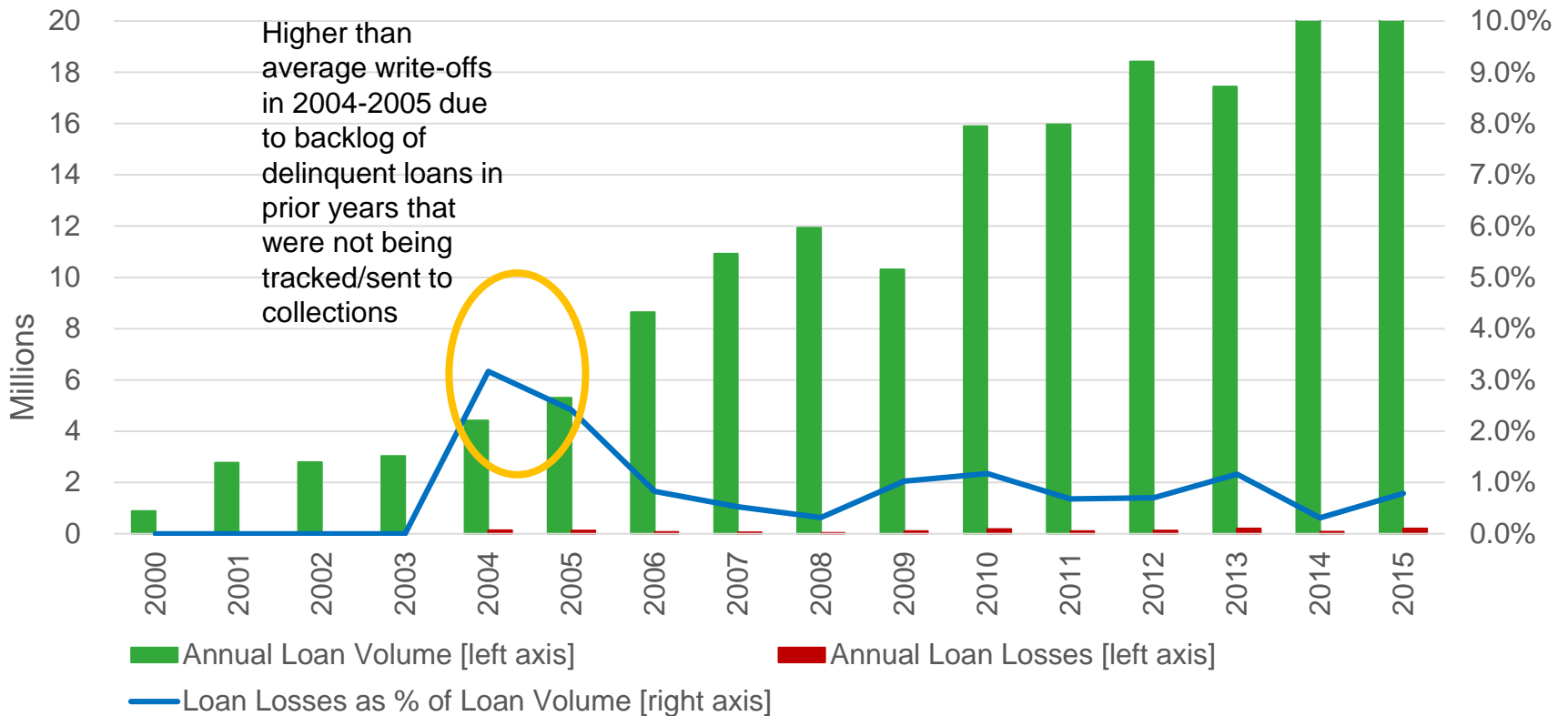


Commercial & industrial customers must meet the following criteria:

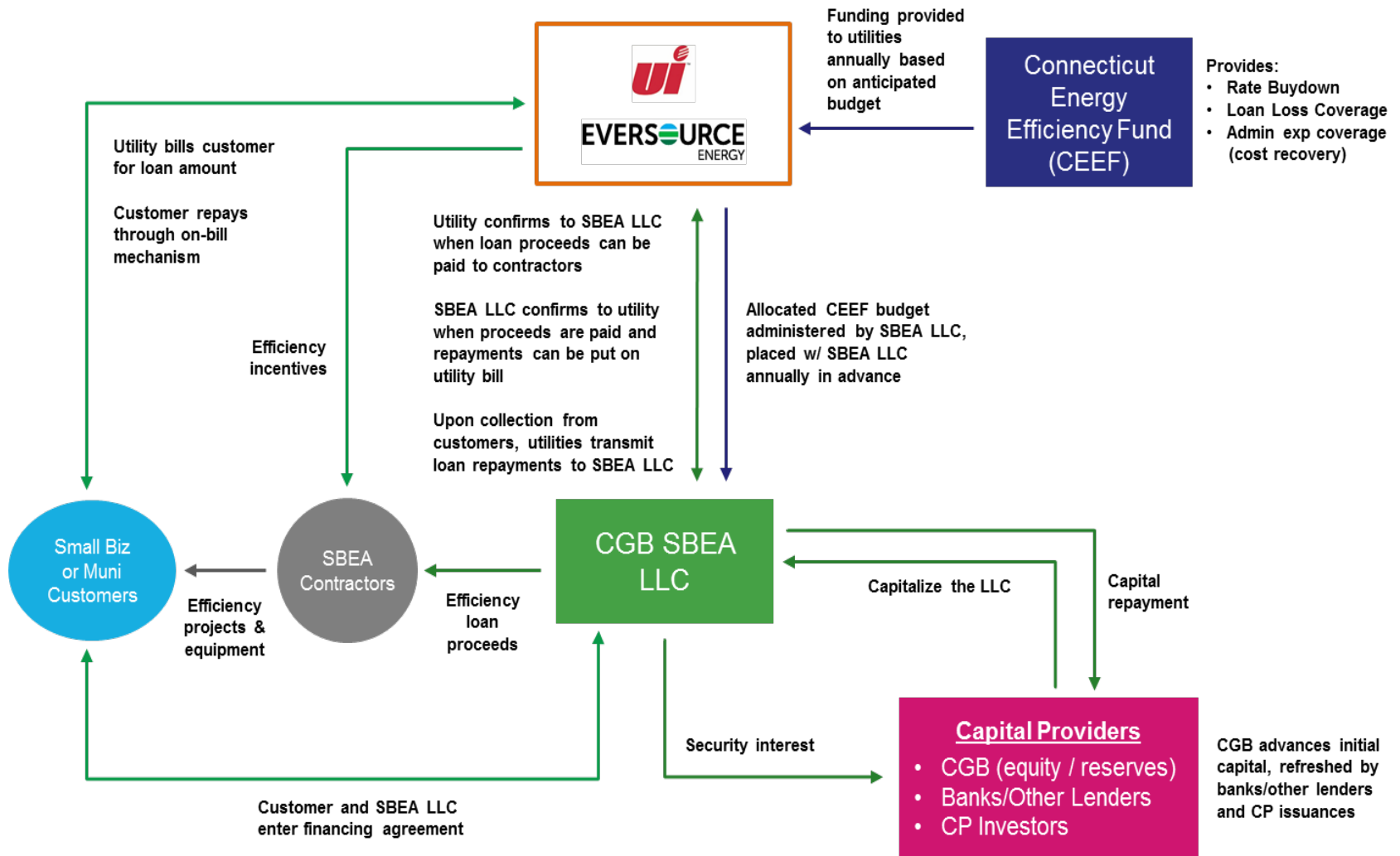
	Eversource	UI
Bill Payment History	No more than 4 late payments in 12-month period, or 2 in 6-month period	
Account History	Must have an electric account and been in business for at least 1 year	Must have an electric account and been in business for at least six months, though may require at least 1 year
Credit Check	N/A	Loans over \$45,000 require credit check; financing approved if credit deemed 'low risk'
Other	Must be current on electric bill and must not have any special payment arrangements	

Low Loan Write-offs

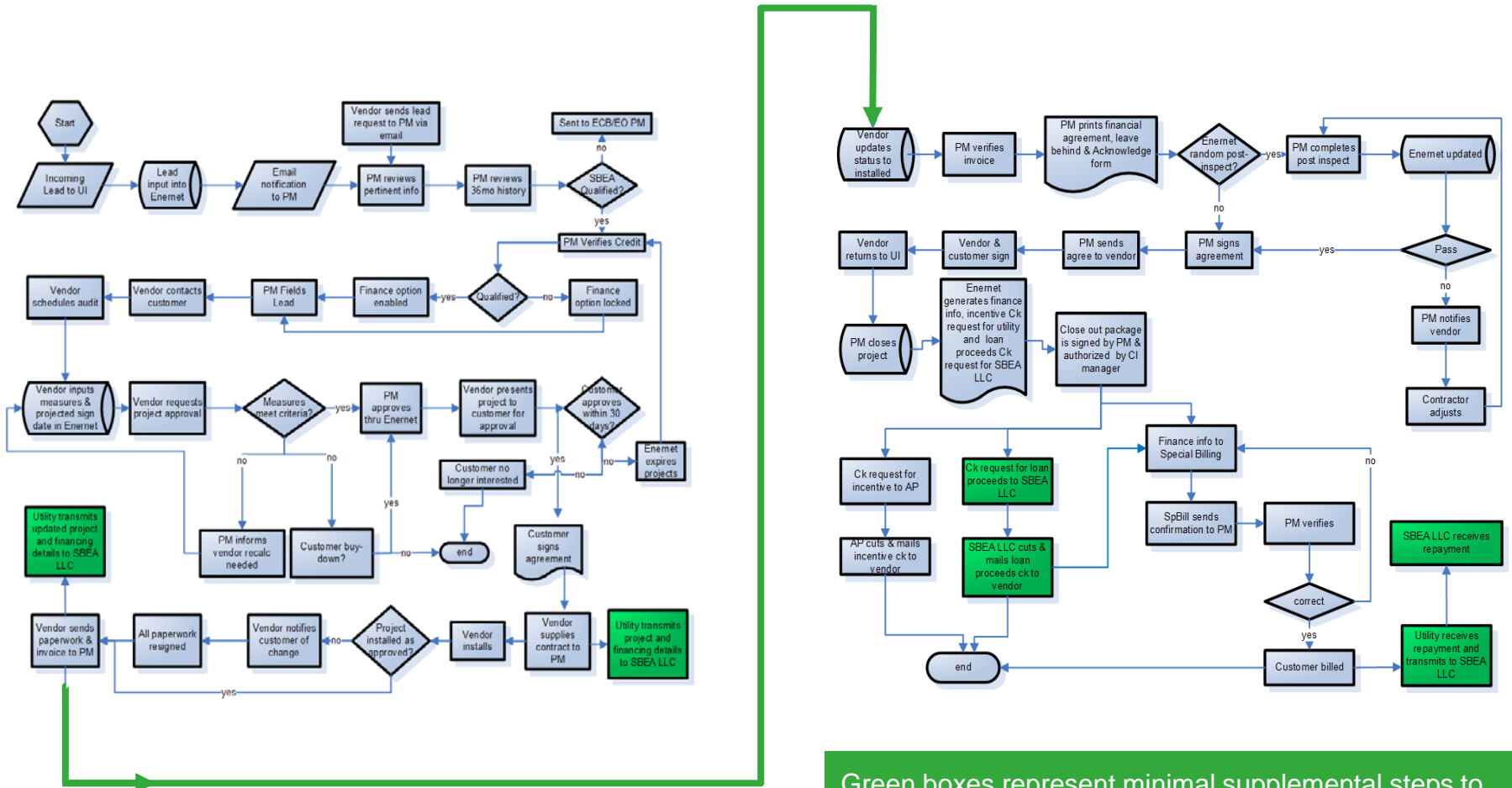
- Annual write-offs average less than 1% of annual loan volumes



SBEA Potential Program Funding Structure



Recapitalized Program Workflow



Green boxes represent minimal supplemental steps to include SBEA LLC in overall program workflow. Diagram is based on UI process.

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 funds are applied to the electricity portion of the bill first.
- Collections process in the event of non-payment:

Eversource	Action		Timing
	Customer receives phone call		60 days past due
	Customer receives delinquency letter		90 days past due
	Account details sent to collection agent		120 days past due
	Loan is written off and losses recovered via CEEF		150 days past due

UI	Action		Timing
	Account receives shut-off notice		Utility bill 33 days past due
	Account sent to UI commercial representative to follow-up.	If paid, no further action	60 days past due
		If unpaid after second follow-up attempt, the loan is removed and losses recovered via CEEF.	Any time after 60 days past due
If customer moves with unpaid balance greater than \$25, account sent to a third-party collection agency. The loan is included but if deemed uncollectible, it is removed and recovered through CEEF.		45 days after move out date	

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