

Legislative History for Connecticut Act

PA 17-201

HB7208

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Transcripts from the Joint Standing Committee Public  
Hearing(s) and/or Senate and House of Representatives  
Proceedings

**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2017**

**VOL.60  
PART 7  
2634 – 3072**

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HOUSE OF REPRESENTATIVES

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May 11, 2017

On page 18, Calendar 269, House Bill 7208, AN  
ACT CONCERNING THE COMMERCIAL PROPERTY ASSESSED  
CLEAN ENERGY PROGRAM. Favorable report of the Joint  
Standing Committee on Energy and Technology.  
DEPUTY SPEAKER ORANGE (48TH):

Representative Reed, you have the floor, Madam.  
REP. REED (102ND):

Thank you, Madam Speaker. I move for  
acceptance of the Joint Committee's favorable report  
and passage of the bill.

DEPUTY SPEAKER ORANGE (48TH):

The question before the Chamber is acceptance  
of the Joint Committee's favorable report and  
passage of the bill. Representative Reed.

REP. REED (102ND):

Thank you, Madam Speaker. This bill updates  
and clarifies some key provisions in our very  
successful commercial property clean energy program  
known as C-PACE for short and not to be confused  
with any other PACE legislation you people have been  
hearing about. This is a very successful program  
that we've had in effect for years. The C-PACE

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program has enabled businesses, non-profits, churches, and a wide variety of other commercial entities to finance a wide variety of energy-saving improvements. And they're able to do this by paying for these improvements through loans that are collateralized with their property taxes. Only towns and lenders who chose to participate in this program do so, and it is incredibly popular.

This bill was requested by our first-in-the-nation Connecticut Green Bank, which administers this very successful program. It received the unanimous approval of the Energy and Technology Committee. It has no fiscal note. And I urge my colleagues to support it. Thank you, Madam Speaker.  
DEPUTY SPEAKER ORANGE (48TH):

Thank you, Madam. Representative Jesse McLachlan, good morning, sir, and for what purpose do you rise?

REP. MACLACHLAN (35TH):

Good morning, Madam Speaker, thank you. I rise to recuse myself from the debate and the vote in order to avoid a conflict of interest. Thank you.

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DEPUTY SPEAKER ORANGE (48TH):

The Chamber will stand at ease. The Chamber will come back to order. And Representative Zupkus, for what purpose do you rise, Madam.

REP. ZUPKUS (89TH):

Thank you, Ms. Speaker. I rise. I would like to recuse myself from this piece of legislation due to a possible conflict of interest.

DEPUTY SPEAKER ORANGE (48TH):

The Chamber will, once again, stand at ease. Okay. The Chamber will now come back to order. And will you care to remark further on the bill before us? Representative Hoydick, you have the floor, Madam.

REP. HOYDICK (120TH):

Thank you, Madam Speaker, and thank you for your indulgence. I rise in support of this bill. This bill passed out of Committee unanimously. It is, as the good Chair of Energy mentioned, an extension of the program to include new construction and make some technical changes with the financing model. And I urge my colleagues' support.

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DEPUTY SPEAKER ORANGE (48TH):

Thank you, Madam. Will you care to remark further on the bill before us? Further on the bill? Representative Ackert.

REP. ACKERT (8TH):

Good morning, Madam Speaker.

DEPUTY SPEAKER ORANGE (48TH):

There you are. Good morning, sir.

REP. ACKERT (8TH):

Thank you. Through you, a couple of questions to the proponent of the legislation.

DEPUTY SPEAKER ORANGE (48TH):

Please proceed.

REP. ACKERT (8TH):

Thank you. And to the good Chair of Energy and Technology, on line 10, the term "improvement" was included. And through you, looking for the broad sense of that, but in case of a commercial property that I wanted to put solar on, in that case; and I'm going to put solar on it, but in the discussion of it, they needed -- they said, well, the roof or

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structure support cannot handle the solar. So,  
would that improvement be included in this loan?

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE (48TH):

Representative Reed.

REP. REED (102ND):

Through you, Madam Speaker. I think all of  
these things, and that's one of the wonderful things  
about this program. They are individually  
negotiated contracts and what this does is it  
expands into the point of the good former Ranking  
Member of Energy and Technology. It expands it to  
include new construction. So, that makes sense.  
So, now we're going to do clean energy, smart energy  
from get-go on new construction and not waiting to  
engage C-PACE to do retrofits on construction that  
is not as efficient.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE (48TH):

Representative Ackert.

REP. ACKERT (8TH):

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Thank you, Madam Speaker, and thank you to the good lady for the answer. I had a great opportunity to go see some of the good work done by this program. And being somebody in the trades and seeing the thoughts about some of the work, one of the ones that they did is that they literally go and look at all the HVAC and motors in industrial use and in manufacturing and they actually laser-guide the motors and the belts so that they use less drag and energy and I was very impressed with that. And this is actually part of this benefit and improvement and really saved a manufacturer a lot of money on their energy. So, that aspect of it, I was very impressed with. Really, the only additional question I had was the term that was added, multiple location was "benefit assessment." Through you, Madam Speaker, may I ask the good lady what the term, the sense of "benefit assessment?"

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE (48TH):

Representative Reed.

REP. REED (102ND):



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Through you, Madam Speaker. I believe that's just a clarification of the term so that they can use a third-party lender as well. So, you know, obviously, they can maybe do a power purpose agreement through a utility. There are other entities who want to invest in this. This is one of the reasons that it's been so successful is everybody wants to participate. It's an exciting program. It does wonderful things for businesses and non-profits and for churches, the faith community. So, everyone is excited about this. And that's what that does.

Through you, Madam Speaker.

DEPUTY SPEAKER ORANGE (48TH):

Representative Ackert.

REP. ACKERT (8TH):

Thank you, Madam Speaker. And there has been great support and a lot of our facilities have saved a lot of money through this program and the wonderful Green Bank that we've used. So, I'd like to thank the ranking member and also the good Chair

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of Energy and Technology for their continued good work in this Committee. Thank you, Madam Speaker.

DEPUTY SPEAKER ORANGE (48TH):

Thank you, sir. Will you care to remark further on the bill before us? Will you care to remark further on the bill before us? If not, staff and guests, please come to the well of the House. Members take your seats. The machine will be open.

CLERK:

The House of Representatives is voting by roll.

Members to the Chamber. The House of Representatives is voting by roll, members to the Chamber.

DEPUTY SPEAKER ORANGE (48TH):

Have all members voted? Have all members voted? Please check the board to determine if your vote has been properly cast. If so, the machine will be locked and the Clerk will take a tally. Oh, hello, Tony, take your time.

If all the members have voted, the machine will be locked and the Clerk will take a tally, please. And will the Clerk please announce the tally?

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CLERK:

House Bill 7208.

Total Number of Voting	140
Necessary for Passage	71
Those Voting Yea	135
Those Voting Nay	5
Absent and Not Voting	11

DEPUTY SPEAKER ORANGE (48TH):

And the bill passes. [Gavel] Will the Clerk,  
where's Sean? Are there any announcements or  
introductions? Announcements or introductions?  
Representative Arthur O'Neill of the 69th, you have  
the floor, sir.

REP. O'NEILL (69TH):

Yes, thank you, Madam Speaker. For the purpose  
of an introduction to the Chamber, as you know, the  
Council of Small Towns was up here today working on  
various pieces of legislation affecting towns. With  
us in the well of the House is the First Selectman  
of the town of Southbury, Jeff Manville. Jeff, if  
you could stand up. Lifelong resident of Southbury  
and in the past, you give him, as you've already

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Senate

216  
June 7, 2017

On Calendar Page 19, Calendar 424, Senate Bill 1058,  
I would like to place that item on the consent  
calendar.

THE CHAIR:

Seeing no objections sir.

SENATOR DUFF (25TH):

On Calendar Page 20, Calendar 431, House Bill 7207,  
I would like to place that item on the consent  
calendar.

THE CHAIR:

Seeing no objections sir.

SENATOR DUFF (25TH):

On Calendar Page 20, Calendar 440, House Bill 7046,  
I would like to place that item on the consent  
calendar.

THE CHAIR:

Seeing no objections sir.

SENATOR DUFF (25TH):

On Calendar Page 21, Calendar 458, House Bill 7208,  
I would like to place that item on the consent  
calendar.

THE CHAIR:

Seeing no objections sir.

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--Thank you--

CLERK:

--Calendar 375, House Bill 7185; Page 16, Calendar 394, House Bill 6749; Page 17, Calendar 406, House Bill 7093; Page 17, Calendar 407, House Bill 5584; Page 18, Calendar 410, House Bill 5116; Page 19, Calendar 420, House Bill 7176; Page 20, Calendar 431, House Bill 7207; Page 20, Calendar 440, House Bill 7046; Page 21, Calendar 405, House Bill 7208; Page 21, Calendar 454, House Bill 7171; Page 22, Calendar 474, House Bill 7304; Page 23, Calendar 479, House Bill 6334; Page 23, Calendar 481, House Bill 7316; Page 23, Calendar 481, House Bill 7316; Page 23, Calendar 485, House Bill 7090; Page 24, Calendar 489, House Bill 7100; Page 26, Calendar 544, 5886; Page 26, Calendar 545, House Bill 6041; Page 27, Calendar 548, House Bill 6347; Page 27, Calendar 552, House Bill 7225; Page 27, Calendar 553, House Bill 7226; Page 27, Calendar 554, House Bill 7276; Page 28, Calendar 558, House Bill 7183; Page 29, Calendar 563, House Bill 6221; Page 30, Calendar 565, House Bill 6623; Page 30, Calendar 569, House Bill 7053; Page 33, Calendar 581, House Bill 7023; Page 35, Calendar 593, House Bill 7049; Page 35, Calendar 595, House Bill 7072; Page 35, Calendar 596, House Bill 7248; Page 35, Calendar 597, House Bill 6333; Page 36, Calendar 598, House Bill 7019; Page 37, Calendar 605, House Bill 6304; Page 37, Calendar 606, House Bill 7305; Page 38, Calendar 609, House Bill 7070; Page 39, Calendar 612, House Bill 7295; Page 39, Calendar 613, House Bill 6907; Page 39, Calendar 614, House Bill 7179; Page 44, Calendar 464, Senate Bill 1051.

THE CHAIR:

HB 7024

HB 6432

HB 7112

SB 820

HB 6941

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Mr. Clerk, will you call for a roll call vote on the consent calendar? The machine is open.

CLERK:

Immediate roll call has been ordered in the Senate on Consent Calendar No. Two. Immediate roll call has been ordered in the Senate.

THE CHAIR:

If all members have voted? All members have voted? The machine will be closed. Mr. Clerk will you call a tally on consent two?

CLERK:

Consent Calendar No. Two.

Total number Voting	36
Necessary for Passage	19
Those voting Yea	36
Those voting Nay	0
Those absent and not Voting	0

THE CHAIR:

[Gavel] The Consent Calendar passes. Senator Duff.

SENATOR DUFF (25TH):

Thank you, Madam President. Madam President, will the clerk please call Calendar Page 26, Calendar 539, House Bill 7221?

THE CHAIR:

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**ENERGY AND  
TECHNOLOGY  
PART 2  
605 – 1158**

**2017**



ENERGY AND TECHNOLOGY  
COMMITTEE PUBLIC HEARING

11:00 A.M.

BRIAN FARNEN: We try.

BRYAN GARCIA: And members of the Energy and Technology Committee for allowing us to be here today. My name is Bryan Garcia. I'm President and CEO of the Connecticut Green Bank. I am joined today by Brian Farnen, our General Counsel and Chief Legal Officer of the Green Bank.

HB 7208  
SB 973  
SB 860

In the last five years, the Connecticut Green Bank has mobilized over a billion dollars of investment into the state's clean energy economy using public-private partnerships. Our programs and activities have led to 13,000 direct, indirect, and induced job years create in our communities; a reduction in the energy burden on over 20,000 households and businesses; the deployment of over 200 megawatts of clean renewable energy in our state; and the reduction of over 2.5 million metric tons of CO2 emissions that contribute to global climate change. We are here today to offer supportive testimony on Bill 7107, 7208, 973, and 860, and in that order.

House Bill 7107 contains a change that would help the Green Bank better deploy capital investment funded by the Green Bank's 23 percent share of quarterly auction proceeds from RGGI. These funds are currently directed to Class I resources and we use them for our C-PACE Commercial Property Assess Clean Energy Financing Program.

House Bill 7107 would instead direct that the Green Bank's share of the auction proceeds be used in accordance with the broader definition of clean energy contained in our enabling statute. This helps us direct project financing where it is best

applied into emerging places like renewable heating and cooling technologies and alternative fuel vehicles and infrastructure.

House Bill 7208 makes various clarifying changes to our C-PACE statute as described in our written testimony. C-PACE is an innovative financing solution for the Green Bank that makes it affordable for homeowners, for building owners to modernize their building, lower their energy costs, and improve the cash flow of their property. Among those changes, we clarify that C-PACE financing is available for new construction in addition to deep retrofit projects on existing buildings as C-PACE is most often used for. This will allow the Green Bank to support high-performing new buildings with financing for energy efficiency and renewable energy. Our C-PACE program for commercial property assess clean energy has been acclaimed nationally and is an example of how to get it right.

And speaking of PACE, the Green Bank supports Senate Bill 973 to establish a counterpart PACE program for the one-to-four family residential market. Our state is home to the nation's most successful C-PACE program. To date, it has provided more than \$95 million dollars in public-private financing for more than 150 clean energy projects. In the process, this has created over 1,000 job years of employment.

The Green Bank can build on that success by expanding PACE to the residential sector. I want to stress that PACE is an economic win. It is the fastest-growing financing product in the country, and residential PACE has already funded more than \$3.3 billion dollars in residential projects since

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2008, with \$2.8 billion dollars of that in the last two years. So, we want to bring that success here to Connecticut. Our PACE financing will aid the state in achieving its energy and environmental policy goals articulated in the Conservation and Load Management Plan, the Comprehensive Energy Strategy, and to help us meet the Global Warming Solutions Act. We're happy to answer any questions on this policy and please see our more detailed written testimony we submitted on Senate Bill 973.

Finally, the Green Bank supports Senate Bill 860, which would extend for one year the annual auction program for the Zero Emission Renewable Energy Credits, ZRECs, and Low Emission Renewable Energy Credits, LRECs. Our agency frequently supports project-financed transactions that are supported by ZREC tariffs.

Focusing for the moment on ZRECs, levelized costs of renewable energy have come down dramatically since the ZREC program was authorized with Public Act 1180 and, as a result, we have seen the subsidy for ZREC and LREC come down; however, for the ZREC, not to a level below the Alternative Compliance Payments for the Class I RPS. We feel this proposal is a reasonable approach that sets expectations for the present while the future of the program receives further contemplation.

The Green Bank is a careful steward of the limited public funds it receives and supports policy innovation [coughing] to meet demand for clean energy in a way that reduces the need for subsidy while creating opportunities for economic development in our state. To that effect, the Green

Bank [coughing] suggests that the ZREC/LREC program be adjusted so that the price caps decline over time. Although it wasn't easy early on, we've used this model of declining block incentives in our residential solar investment program for rooftop solar in the residential space, resulting in a reduction of the subsidy level to the equivalent of a \$25 dollar ZREC or LREC.

The Green Bank supports Senate Bill 860 and supports a ZREC/LREC extension with the inclusion of reasonable cost gaps that design for eventual program phasedown. Thank you for your time today.

SB 913  
HB 1208

REP. REED (102ND): Thank you. The C-PACE program, I mean we've all been so enthusiastic about it and it's come to all of our districts and so many companies and nonprofits and various organizations have been able to take really wonderful advantage of it. The R-PACE program has driven through here a few times and the last time we encountered it there was still a problem with Fannie Mae and Freddie Mac, and I'm just wondering -- I know you did a backup fund to make that part of it to make sure that you securitize it, but I'm just wondering where we are in that process.

BRIAN FARNEN: I can take that. So there have been some new developments and definitely we would be interested in doing a loss reserve for the R-PACE program. This new legislation is slightly different from what we proposed last session. This time around we define it as a benefit assessment and it's consistent with the DOE, FHA guidance that came out last summer, which provided a roadmap for Senior PACE, and we believe that our legislation also now

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has the strongest consumer protections in the nation included within it and I feel that we've addressed those concerns in the legislations by making it consistent with those FHA, DOE guidance and by adding in very strong consumer protections.

REP. REED (102ND): Thank you. Are there any questions? Representative Piscopo.

REP. PISCOPO (76TH): Thank you, Madam Chair. Good morning.

BRIAN FARNEN: Good morning.

REP. PISCOPO (76TH): In your testimony, you mention in the C-SPAN program in the case of a foreclosure, are you trying to author the succession of who gets paid first? In the C-PACE program, if there is a foreclosure, the town is first in line and then Green Bank what I understand is next.

BRIAN FARNEN: Correct.

REP. PISCOPO (76TH): Does this author that succession at all?

BRIAN FARNEN: So, C-PACE and R-PACE will be consistent in that manner that the town and their property taxes would also come first.

REP. PISCOPO (76TH): Is R-PACE managed by, is that going to be managed in the same way through the assessor or tax collector?

BRIAN FARNEN: Yes. There'll have to be some differences because there'll be -- I mean with C-

PACE you're talking a higher, the projects are of a higher cost and R-PACE will be a higher volume but lower dollar amount so we would need to streamline that process through the Green Bank so that for any municipality that it is as easy a lift as possible for them. We don't want them to recreate the wheel. We'll work off their existing processes and, again, it's obviously an opt-in program so we have to go to each and every municipality and sell them on R-PACE like we did with C-PACE.

REP. PISCOPO (76TH): And in your testimony, you want to expand the scope of the Green Bank to alternative vehicles. Is that under C-PACE or how -  
- I'm not sure.

HB1107

BRIAN FARNEN: I think that might be in regards to the RGGI clarification in regards that --

REP. PISCOPO (76TH): Oh, I see.

BRIAN FARNEN: You wanna?

BRYAN GARCIA: Yeah, in our enabling statute, the definition of clean energy already includes alternative fuel vehicles and associated infrastructure so as an organization we already have that, but the utilization of RGGI funds currently is specifically for Class I renewable energy sources so we're asking to allow it to broaden into our definition so we can use all of our tools.

REP. PISCOPO (76TH): Thank you. Thank you very much. Thank you, Madam Chair.

BRYAN GARCIA: Thank you.

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REP. REED (102ND): Thank you, Representative Piscopo. Representative Tweedie.

REP. TWEEDIE (13TH): Thank you, Madam Chair, and gentlemen thank you for coming here and explaining this. I would like to elaborate a little bit more on Representative Piscopo's concerns. This is -- in the property tax bill and his concern being, you know, in a repossession the municipal property taxes are paid. So, in the line of succession, would the R-PACE be ahead of a first mortgage holder?

BRIAN FARNEN: Yes, but it's clear to point out that only the very small amount that is in arrears would take that priority and the existing benefit assessment similar to like a sewer or water assessment would stay on the property, but the only part that would take the priority position would be that very small amount of payment that's in arrears. It is also -- I would like to point out is that there has not been a residential PACE foreclosure in the country. In many ways, the ability to have that first priority position for that small amount is more important for the secondary markets but in practice is not used.

REP. TWEEDIE (13TH): Thank you, and to you, Madam Chair. You say there hasn't been a PACE foreclosure, but a foreclosure in which PACE is involved. I'm not asking if PACE has foreclosed. You know, it's just -- in any property that's being foreclosed on regardless of who is foreclosing, would that be ahead of everything else? First, second lienholders, and so on.

BRIAN FARNEN: Correct.

REP. TWEEDIE (13TH): And what does the banking industry, how does the banking industry feel about that?

BRIAN FARNEN: So, the banking industry, the reaction I would say is mixed but more I would say negative from a -- they do have concerns but FHA has come out in support of PACE for residential properties so long as you meet certain requirements and there's basically a roadmap for how it could work. FHFA still does have concerns. I do believe that their concerns are simply not borne out by the data. Specifically, with PACE properties, there is a lower default rate and there is higher value. They also have competing products. We believe at the Green Bank that competition is good. Additionally, there is more benefit to the property enabling these improvements. Basically, that whole issue of, you know, at the end of the day if this allows someone an opportunity to fix a broken boiler versus having to go to their credit card, I think that's a good thing and I think at the end of the day this legislation follows that FHA, DOE guidance which provided those clear rules of the road and strong consumer protections which we include.

REP. PISCOPO (76TH): Thank you very much for your response to my questions and thank you, Madam Chair.

REP. REED (102ND): Thank you, Representative. Representative Hoydick, and then Representative Perone.



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ENERGY AND TECHNOLOGY  
COMMITTEE PUBLIC HEARING

11:00 A.M.

REP. HOYDICK (120TH): Thank you, Madam Chair.  
Thank you, Brian. It's nice to see you.

BRYAN GARCIA: Good mornin'.

REP. HOYDICK (120TH): First question is on the RGGI piece. So RGGI right now, you can use that money for investment in Class I renewables and you want to utilize it for -- what was the other? I came in at the end of that.

BRYAN GARCIA: We want to broaden it to be consistent with our clean energy definitions statute which is Class I energy efficiency alternative fuel vehicles and associated infrastructure. It's a much broader definition.

REP. HOYDICK (120TH): Okay, and how much -- give us an idea of how much RGGI fund is.

BRYAN GARCIA: So, we receive to Mary's point 23 percent of allowance proceeds and that is about \$3 to \$5 million dollars a year. It's come down in recent years as allowance prices have come down. So, for us, it's about \$3 to \$5 million a year.

REP. HOYDICK (120TH): Okay. Thank you. And then I'd like to ask some questions about R-PACE.

BRIAN FARNEN: [laughter]

REP. HOYDICK (120TH): As you know, my only objection with this is is the Fannie/Freddie piece and the Banking Association, the banks being opposed to this as of last year. I haven't spoken to anybody this year but would love to see this happen,

and then trying to figure out with you all a way to get this done. The lien priority is of concern to me, though, because I thought last year that you weren't after the town. You weren't the first lienholder. Was that always true and I just missed it?

BRIAN FARNEN: No, we were always after the -- well, yes we were always after the town but then last year's legislation was in a junior position.

REP. HOYDICK (120TH): Yeah.

BRIAN FARNEN: What did change was the FHA, DOE guidance from the summer which said so long as it's only the small amount that is in arrears that could be in a first priority position and talking to different PACE providers, what we learned was the secondary market really doesn't like to buy the paper when it's in that subordinated position. So, from our perspective, what we saw by reading the Morningstar reports and the different other kind of guidance that was out there, the likelihood of a foreclosure has been nonexistent so far. You're improving a property. We saw this, basically in a nutshell, as this was a policy with no fiscal in a tough budgetary year that's good for the environment, creates jobs, and we just didn't see the connection for how this was negative for the mortgage industry. So, that's why we're today.

REP. HOYDICK (120TH): Okay. And you know all the years that we've had C-PACE, every question I -- the first thing I need is what's the default rate.

BRIAN FARNEN: Yeah.

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11:00 A.M.

REP. HOYDICK (120TH): And it's been very low because the program hasn't been in existence that long so I'm going to ask the same question. You're saying there have been no foreclosures from which program and how long?

BRIAN FARNEN: So, in the other states, there haven't been any foreclosures for residential PACE. I don't have the exact numbers, but I know it's --

REP. HOYDICK (120TH): Okay.

BRIAN FARNEN: I mean it's \$3.3 billion dollars worth of I think since 2000 in R-PACE volume, and I think the reality is for why there's no foreclosures because it's not, I assume it's not worth it for them to foreclose on such a small piece that's in arrears. So, economically, if you're doing residential PACE financing, it's not going to be worth the time and energy to go through the court process to foreclose upon that, and that's kind of one of the reasons why we got comfortable with it is because we're like okay, so they need a security to get the financing rates low to enable these type of energy improvements and the reality is the properties aren't actually even being foreclosed upon in practice. We can get behind that.

REP. HOYDICK (120TH): So, to follow up on Representative Tweedie's questions, though, you're talking about the foreclosure of the system.

BRIAN FARNEN: Well, no we're talking --

REP. HOYDICK (120TH): Foreclosure of the home.

BRIAN FARNEN: Foreclosure of the -- there's been no PACE benefit assessment lien that's been foreclosed upon on that property due to the PACE assessment.

REP. HOYDICK (120TH): Okay, and could you just walk us through, you know, you're going to go to the towns. If this passes, you're going to go to the towns. You're going to get approval to promote R-PACE and so you issue your first R-PACE loan and how does that -- can you go step by step how that works from there on?

BRIAN FARNEN: Sure. So, myself and someone also from the Green Bank will have the joy of going [laughter] town by town, the town halls at night -- it's delightful -- just like we did for C-PACE and we hopefully get the municipalities to opt in through a municipality agreement where we'd basically say okay, the Green Bank is going to be responsible for X, Y, and Z. You're going to have this responsibility. Basically, you know, placing the lien and then assigning it to us. We will indemnify you municipality for that.

Then we will, once the program is up and running, we will have PACE providers -- it's an open market -- approach who can come into the market. They'll market their services. Homeowners will say okay, my boiler broke down. Maybe I don't -- maybe it's not a good fit for doing a home mortgage because of the --

REP. HOYDICK (120TH): Home equity loan.

BRIAN FARNEN: Time requirements or whatever, so I'm going to a PACE benefit assessment, financing. There's no money down for that. So, then they would enter into that agreement with us through these third-party capital providers and then we would place, we would work with the municipality to place the residential benefit assessment lien on the property and then on a yearly basis that homeowner would be responsible for paying that benefit assessment lien in a similar way that he does his taxes, and that would repay for the energy improvement that was done to his home. And I think one key thing is, too, is that I mean these can only be used for energy -- when you think about what's good for home values, these can only be, only going to be able to be used for certain types of energy improvements that the Green Bank approves of, endorses. So it's not like -- you know, people can take money out of their home and go on a family vacation. That's not an option here. This is something they can only use for an energy improvement whether it's boiler or solar PV, or you name it.

REP. HOYDICK (120TH): Instant hot water heaters.

BRIAN FARNEN: Yeah.

REP. HOYDICK (120TH): New roof that goes under the PV system. So, thank you. And now to repay that, those assessments -- twice a year, quarterly, however the municipality issues the invoices?

BRIAN FARNEN: What I would assume -- well, what we would do is we would handle this in a same way that you do with your property taxes or your sewer/water.

It would be escrowed into your mortgage payment so that there wouldn't be one big -- we would, actually it's part of our program guidelines, I think we would require that so that someone's not getting hit with a payment once a year. That seems like that would be -- that could lead to trouble.

REP. HOYDICK (120TH): Sure.

BRIAN FARNEN: So I think we would require it to be escrowed as part of their mortgage payment.

REP. HOYDICK (120TH): So, are you the only, the lending institution then?

BRIAN FARNEN: In essence, we are going to stand between the capital providers and be the ones providing the financing.

REP. HOYDICK (120TH): So will you --

BRIAN FARNEN: But we'll have servicers and things like that who will be dealing with them, not us.

REP. HOYDICK (120TH): So the servicers will be the ones who are extracting the payment from the homeowner and applying it to the escrow or how is that going to work? Or will it go through their home mortgage their first --

BRIAN FARNEN: I think the process that makes the most sense I believe would be for it to go through the escrow on their home mortgage.

REP. HOYDICK (120TH): So you have to work with the lending institution?

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BRIAN FARNEN: Correct.

REP. HOYDICK (120TH): So you kinda need to all be on the same page around the table with this.

BRIAN FARNEN: Yeah. Similar, like any other sewer/water, we would hopefully work with that. It's like a sewer/water benefit assessment. Same process.

REP. HOYDICK (120TH): Thank you very much for sharing that information.

BRIAN FARNEN: No problem.

REP. HOYDICK (120TH): Appreciate it.

REP. REED (102ND): Thank you. Representative Perone, and then Representative Steinberg.

REP. PERONE (137TH): Thank you very much. You answered a lot of my questions about the property liens but I am curious. You know, Connecticut has several programs that encourage investment in clean energy and that, but what I'm struggling to get a handle on is how, what -- you're advocating complements or it plays against or, you know, like I said complements those programs. Could you just show me how that would work?

BRIAN FARNEN: So, the reason why I think we like Residential PACE -- I mean and there are other clean energy programs out there. I think that Residential PACE, it solves for different barriers and in some ways it's a different underwrite. It's not FICO

dependent and because of the way it's set up as a benefit assessment lien with that security mechanism, you can have longer tenors. You're not forced with doing often like the cheapest and easiest and quickest fix. You could get a more efficient system and at the end of the day it gives homeowners options.

REP. PERONE (137TH): Okay. All right. Well, thank you very much. Like I said, a lot of good questioning before me so I think we're good. Thank you for your question -- your answer.

BRIAN FARNEN: Thank you.

REP. REED (102ND): Thank you. Representative Steinberg.

SB 860

REP. STEINBERG (136TH): Thank you, Madam Chair, and thank you for your testimony today. Changing gears a little bit, going to the REC program, we see -- first of all, I want to say that I'm very pleased that we've come a long ways with Connecticut's REC program and it does seem to be a good time for us to consider reducing the caps. I was hoping you might be able to comment on whether other states have pursued in the fashion that we're proposing to do so and what's been their experience.

BRYAN GARCIA: So, let me provide some data just kind of in terms of where we are to orient us on the ZREC/LREC. Then, I'll talk a little bit about our neighboring states in terms of where they are with SREC, solar renewable energy credit programs.



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JESSICA BAILEY: Good afternoon. Thank you. Thank you so much for having me here. Members of the committee, thanks for your time this afternoon. I am going to testify in support of three different bills this afternoon: The first, S.B. 973, the Residential PACE policy; the second, S.B. 860, the extension of the LREC and the ZREC; and the final, House Bill 7208, support around some clarification of language regarding the C-PACE statute.

I come here as the CEO and co-founder of Greenworks Lending, which is one of the largest commercial PACE companies in the country right now. We're based in Darien, Connecticut. Our company has been around from two years and in that time has grown from 2 employees to 20 employees, most of whom live and work in Connecticut. The policies that I'll be testifying in support of today we think will continue the growth of our company creating more jobs and attracting other companies like ours through the clean energy economy here in this state. Connecticut has a long history of leadership on clean energy policies and it is those policies that I wanted to talk through today as a way to promote economic development in this state.

The first, the Residential PACE policy, builds upon a very successful Commercial PACE policy that was passed and brought by this committee several years ago. That policy when it was passed on the commercial side took into account the concerns and needs of many of the stakeholders who are really critical for this policy's success. The Residential PACE policy in front of you today does the same. It is an opt-in program supporting municipalities to

choose to allow Residential PACE in their communities. It has protections for mortgage holders who are guaranteed that these assessments would not accelerate in a time of foreclosure making sure that only a small amount of the project costs would ever be in a senior lien position, and it takes into account the needs of consumers with very, very robust consumer protection policies embedded in this policy. With those policies in place and those protocols in the bill, we feel confident that it's going to support the need of the various stakeholders in the state of Connecticut who are interested in seeing a Residential PACE program develop successfully.

The second bill, the extension of the ZREC and the LREC, is a very important part of our company's history and our company's future in this state. The policy -- we've heard some testimony on it already -- but almost every solar project that has been done in this state over the past couple years has done so with the benefit of the LREC and the ZREC. Our proposal is to support the extension of this to make sure that the sunset of the LREC takes into account the needs of the solar industry in adapting to a new lower incentive environment. We encourage the committee to extend the ZREC for two years and to bring the cap down in a way that's going to be sustainable for companies like Earthlight who testified earlier to continue to grow in this state.

The final bill I wanted to support was H.B. 7208, which is some clarification language on the C-PACE bill making clear that new properties are eligible, that PACE can be workable with PPAs and leases and that the lien or the assessment survives the

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transfer of a piece of property. With those three bills in front of you, we encourage your support and thank you for your time.

SENATOR FORMICA (20TH): Thank you very much for your testimony and good afternoon. Any questions? Thank you.

KATIE DYKES: Thank you.

SENATOR FORMICA (20TH): Hearing none, enjoy your day. Next up is David Gabrielson, please, followed by Maureen Westbrook. Good afternoon sir and welcome.

DAVID GABRIELSON: Hi. Thank you very much. I am David Gabrielson -- whoops -- hi. I'm David Gabrielson. I'm the Executive Director of PACENation, and I'm here to support Senate Bill 973, which would extend Residential PACE financing to homeowners in the state of Connecticut under the auspices of the Green Bank which now operates, as you know, perhaps most successful Commercial PACE program in the country.

Following Michael and Jessica, I think I'm going to take a slightly different cut on this and borrow from the letter that I sent you, but maybe just hit the highlights as they've made -- described PACE and elements of the case for it. I'm going to take it from the perspective -- and this is in the letter -- of why I think PACE is so great and if I was going to write a story, a front page story in a national newspaper, this is a story I would tell and it's largely based on data from California. One of the things that PACENation does, we're a nonprofit

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JON ANDERSON: You're welcome.

REP. FISHBEIN (90TH): Thank you, Mr. Chair.

SENATOR FORMICA (20TH): Thank you very much, Representative. Further comments or questions? Thank you so much, sir, for your testimony.

JON ANDERSON: Thank you.

SENATOR FORMICA (20TH): Enjoy your day. Brian O'Connor? Thank you, Brian. Followed by Sean Garren.

BRIAN O'CONNOR: Good afternoon, Mr. Chairman. Thank you, Chairman Formica, and also Representative -- or Chairman -- Reed, as well as other members of the committee. I am Brian O'Connor. I am the Director of Public Policy for the Connecticut Conference of Municipalities and I'm here to testify on a couple of bills, but I just want to focus my attention to Senate Bill 973, and as well as parts of House Bill 7208, AN ACT CONCERNING A RESIDENTAL SUSTAINABLE ENERGY PROGRAM, as well as AN ACT CONCERNING THE C-PACE PROGRAM as well.

SB 860HB 7140SB 863

CCM has supported a similar program for commercial use in the past and it's been a beneficial program for businesses in the municipalities throughout the state and we know that Senate Bill 973 would create a similar program. I think what we've come to the conclusion of is that as you're considering these programs municipalities are looking to recoup more than just the costs of running the program. I think we're -- in light of the budget deficits and the

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need for revenue diversification and the tremendous value that we are providing -- that we would like a little bit more fees to be added to it or charges because I think one of the things that you have to keep in mind is that the amount of projects will greatly outweigh what is going on in the C-PACE program. I think you might have greater term where a tax collector or municipality will be adding more and more improvements to the process. I think when you look at the resiliency that is also added and the breadth of this program compared to C-PACE, I think the costs will be greatly magnified as we go forward.

So, we do have a suggestion where we would ask that, in being able recoup our costs, we would add the following in Line 52 of Senate Bill 973, "*as well as any fees and charges levied by the municipality*" and I think this would again serve to represent the value that the municipalities are providing. I think without us you do not have a bond market and also you can argue that we are much more efficient in streamlined in both billing and collection, and I think if you look at the private sector in this case, in particular, they would not be able to replicate this for such a low cost. The other parts of the bill that I do want to mention are the indemnification.

We would like it to reflect what is Section 4 of the C-PACE agreement that we currently have with the Green Bank and then also going down to Line 310, we would ask that the "*shall*" be changed to "*may*" so it's consistent again with the C-PACE program. We do want to maintain discretion over assigning tax liens.

And, if I could quickly, we do support the study for trash-to-energy facilities. This is Senate Bill 863. We would like a stable energy market for some of our towns that utilize trash-to-energy facilities, as well as 7140; we support that bill, as well as Senate Bill 860. The only one note that I want to point out in 860 is that we would like to expand the cap on the virtual net metering. So, thank you very much for your time and we'd be happy to answer any questions.

SENATOR FORMICA (20TH): Thank you very much, sir. Any comments or questions? Representative Fishbein.

REP. FISHBEIN (90TH): Thank you, Mr. Chair. Good afternoon, sir. So looking at the fees aspect of this, and it's one of the things that I recognized when I was looking at the bill that the municipality is essentially doing a service, rendering a service on behalf of an entity that's not necessarily tied to the municipality and you're saying that the municipalities want to be compensated for that, rendering that service? Is that the thrust of your first point?

BRIAN O'CONNOR: That is. That's accurate. We're looking, we're saying basically that we're providing a private function and should be compensated accordingly and I think if you look at it, the way the bill is drafted, that would be something that could be negotiated. We don't have a set fee, but I think it's something that could be negotiated with the administrator of the program.

REP. FISHBEIN (90TH): Is the CCM have a recommendation as to a cap on that fee?

BRIAN O'CONNOR: I think we're open to discussion. Yeah, we don't have a set policy of whether it be 10 percent of the overall value of the improvement or, you know, that is something that we considered.

REP. FISHBEIN (90TH): And that would be a fee that is paid by the homeowner, correct?

BRIAN O'CONNOR: Ultimately, yes. It would probably be packaged into the benefit assessment.

REP. FISHBEIN (90TH): So I guess the dynamic here is the improvement needs to be paid for and the homeowner has the opportunity to perhaps go to a private lender to purchase that item, an efficient furnace let's say, or to utilize this process. In the first scenario, the bank or the private lender, bears the costs of that service so to speak but in your scenario it's, it falls upon the homeowner. Is that fair to say?

BRIAN O'CONNOR: Well, I think in the private transaction that you just described the bank I'm sure will factor in those costs and put it into the interest rates and make sure they recoup their costs plus.

REP. FISHBEIN (90TH): Okay.

BRIAN O'CONNOR: They're not going to eat the cost.

REP. FISHBEIN (90TH): So with the procedure that's contemplated by Senate Bill 973, there's reduced

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costs as originally anticipated by the original bill and now we're looking to level that off. Is that fair to say?

BRIAN O'CONNOR: That may be the net result. I think it would still be very competitive with what's going on in the private market.

REP. FISHBEIN (90TH): Okay. Thank you. Thank you, Mr. Chair.

BRIAN O'CONNOR: Thank you.

SENATOR FORMICA (20TH): Thank you, Representative. Further comments? Yes, Representative Sredzinski.

REP. SREDZINSKI (112TH): Thank you, Mr. Chairman. Thank you, Mr. O'Connor, for being here. You mentioned the virtual net metering in your testimony briefly at the end. I know you tried to jam in a whole bunch of support and opposition and amendments to your testimony in the three minutes and I'm sure the Chairs appreciate that. If you could just specify which bill that was, and if you could briefly just touch on how many towns you're familiar with that have taken advantage of that?

BRIAN O'CONNOR: That is Senate Bill 860 and I think -- I don't have the exact number of towns that are taking advantage of it, but I do know that there are others that would like to be able to participate and do more. I think even the ones that are currently participating, I think they would like to be able to bank and apply it to future bills on a month-to-month basis so I think, you know, there is a greater





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The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 96% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

**SB 973**      “An Act Concerning a Residential Sustainable Energy Program.”

**HB 7208**      “An Act Concerning the Commercial Property Assessed Clean Energy Program

SB 973 which would establish a residential sustainable energy program in the state for the purpose of financing energy improvements.

CCM has supported a similar program for commercial use known as Commercial Property Assessed Clean Energy (C-PACE). It has been a beneficial program for both businesses and municipalities throughout the State. **SB 973** would create a similar program for residential properties.

As has been evidenced by the C-PACE program, participating municipalities play an integral role in the facilitation and success of these programs and we anticipate this will be true of the Residential Sustainable Energy Program as well if it is to become law.

Municipalities provide tremendous value to residential property assess clean energy (R-PACE) and C-PACE programs throughout the country and we will, and do, here in Connecticut.

In essence, collectively, municipalities will be creating a municipal bond market for the Connecticut Green Bank (Bank) in **SB 973** with a practically guaranteed rate of return due to our extraordinarily high municipal tax collection rates. In addition, the expertise and resources of town and city staff provide a streamlined and efficient process that keeps such programs economically viable. Without our participation, the costs associated with starting up standalone R-PACE or C-PACE programs would be prohibitive.

Having said that, and as you are well aware, the FY 17-FY18 State Budget will impact towns and cities – and their property taxpayers – in deep, fundamental ways, such as the quality of public education our children receive, the strength of public safety efforts, and the ability to maintain safe roads and bridges. It is CCM's responsibility to advocate for our towns and cities

and protect their interests, which is why we believe that participating municipalities should be provided financial compensation for their important role in the success of the C-PACE and the proposed Residential Sustainable Energy programs.

To reflect this value, we ask that the Committee add in **SB 973** at the end of line 52 after “such duties” the following **“as well as any fees and charges levied by the municipality;”**

In **HB 7208** we ask that the Committee add at the end of line 44 after “such duties” the following **“as well as any fees and charges levied by the municipality;”**

Today’s economic climate requires a new way forward for the state and its relationship with its municipalities. It stresses the need to change the paradigm in order to help towns and cities become more self-reliant and to chart a sustainable path to future growth and prosperity. CCM believes that providing participating municipalities with financial compensation for the private and commercial services provided is one way to not only incent municipalities to provide their residents the opportunity to participate in what has been such a successful program in other states, it is an opportunity to generate much needed revenue.

Also, CCM appreciates efforts by proponents to include indemnity language in **lines 85-89** that is vital to protecting the financial interests of the municipality, but we prefer similar language that exists in Section 4 of the C-PACE agreement with the Green Bank, which is as follows:

***“Section 4 – Indemnification.***

***The Green Bank agrees that it will protect, defend, indemnify and hold harmless the Municipality and its officers, agents and employees to the extent of available proceeds derived from the benefit assessments from and against all claims, demands, causes of action, damages, judgments, losses and expenses, including reasonable attorney’s fees arising out of or in connection with the actions of the Green Bank’s officers, employees and agents under this Agreement. This provision shall survive termination of this Agreement.”***

Finally, we request that the Committee **change the word “shall” to “may” in line 310 of SB 973 to make it consistent with the existing C-PACE language, which can be found in HB 7208 on line 184, and also to maintain our discretion in assigning tax liens.**

**CCM urges the Committee to amend both SB 973 and HB 7208 before taking any action in order to reflect the value of the services towns and cities provide and to protect our interests.**

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If you have any questions, please contact Donna Hamzy, Advocacy Manager of CCM at [dhamzy@ccm-ct.org](mailto:dhamzy@ccm-ct.org) or (203) 843-0705.

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Connecticut Fund  
for the Environment

Save the Sound®

**Testimony of Connecticut Fund for the Environment  
Before the Committee on Energy & Technology**

*In Support of If Modified*

S.B. No. 7104, AN ACT CONCERNING RENEWABLE PORTFOLIO STANDARD COMPLIANCE REQUIREMENTS.

*In Support of*

S.B. No. 973, AN ACT CONCERNING A RESIDENTIAL SUSTAINABLE ENERGY PROGRAM.

*In Support of*

S.B. No. 860, AN ACT CONCERNING CONTRACTS FOR ZERO EMISSION RENEWABLE ENERGY CREDITS AND LOW-EMISSION RENEWABLE ENERGY CREDITS

*In Opposition to*

H.B. No. 7107, AN ACT CONCERNING THE INVESTMENT AND USE OF REGIONAL GREENHOUSE GAS ACCOUNT FUNDS

*In Support of*

H.B. No. 7208, AN ACT CONCERNING THE COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY PROGRAM

Submitted by Claire Coleman  
Climate & Energy Attorney  
March 7, 2017

*Connecticut Fund for the Environment (CFE) is a non-profit environmental organization with over 4,700 members statewide. The mission of CFE, and its bi-state program Save the Sound, is to protect and improve the land, air, and water of Connecticut and Long Island Sound. We use legal and scientific expertise and bring people together to achieve results that benefit our environment for current and future generations.*

Dear Senators Winfield and Formica, Representative Reed, and members of the Energy and Technology Committee:

**I. Senate Bill No. 7104**

Connecticut Fund for the Environment (CFE) submits this testimony regarding Proposed S.B. No. 7104, An Act Concerning Renewable Portfolio Standard Compliance Requirements. While CFE supports the proposed language to no longer permit suppliers and electric distribution companies to make up renewable energy portfolio deficiencies within the first three months of the succeeding calendar year, CFE believes that these changes alone are not enough to

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adequately strengthen the Renewable Portfolio Standard (RPS). Any bill proposing amendments to Section 16-245a of the general statutes should include extensions to the RPS beyond 2020 that incrementally increase the RPS standard.

Setting higher renewable portfolio standards for years after 2020 is critical to meeting many of Connecticut's environmental, energy, and economic goals. Replacing fossil fuels with renewable energy is a key component of Connecticut's strategy to meet greenhouse gas reductions required by the Global Warming Solution act, and for combatting climate change. Connecticut is feeling the impacts of climate change already, as rising sea levels increase damage from coastal storms and flooding.<sup>1</sup> Connecticut leaders have a responsibility to continue to mandate growth in renewable energy sources and end Connecticut's reliance on dirty fossil fuels that contribute to global warming.

A recent study released by Abt Associates on the positive impacts of the Regional Greenhouse Gas Initiative (RGGI) demonstrates how critical carbon reductions are to our health and economy.<sup>2</sup> The study shows that from 2009-2014, the carbon reductions from RGGI resulted in \$5.7 billion in saved health care costs in the Northeast,<sup>3</sup> and in Connecticut an estimated 421 asthma attacks were avoided and up to 34 lives spared.<sup>4</sup> Compliance with a higher RPS will also reduce emissions of harmful pollutants like nitrogen oxides, sulfur dioxide, and mercury, which are linked to acid rain, smog, respiratory illness, and water contamination.

The RPS is also good for Connecticut's economic growth. The RPS helps drives investments in renewables by guaranteeing that there is a market for that energy as well as by helping those renewables become more competitive with fossil fuel-based energy that currently has a market advantage. This competition drives further development and deployment that in turn enables cost reductions in renewable technologies. Solar is a prime example of this effect. As Connecticut and regional policies have driven the deployment of more photovoltaic installations, the cost of solar energy has declined significantly.<sup>5</sup>

Connecticut also needs to continue to encourage the in-state deployment of RPS-eligible, renewable energy sources. Generating our own renewable energy from solar and wind rather than buying it from neighboring states brings additional benefits to Connecticut, including lower air pollution and more jobs. Establishing policies to allow for unrestricted development of shared solar and use of virtual net metering would foster growth of in-state renewable energy

<sup>1</sup> Environmental Protection Agency, What Climate Change Means for Connecticut (Aug. 2016), available at <https://www3.epa.gov/climatechange/Downloads/impacts-adaptation/climate-change-CT.pdf>.

<sup>2</sup> Abt Associates, *Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative, 2009-2014*, (Jan. 2017), <http://abtassociates.com/AbtAssociates/files/7e/7e38e795-aba2-4756-ab72-ba7ae7f53f16.pdf>, RGGI states include Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont.

<sup>3</sup>*Id.*

<sup>4</sup> Abt Associates, *Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative, 2009-2014, Appendix E* (Jan. 2017), available at <http://abtassociates.com/AbtAssociates/files/d0/d0c73dbb-4921-4cd5-a4d5-b1f587ccb99d.pdf>.

<sup>5</sup> Galen Barbos and Naim Darghouth, Lawrence Berkeley National Laboratory, *Tracking the Sun IX, The Installed Price of Residential and Non-Residential Photovoltaic Systems in the United States* (Aug. 2017), [https://emp.lbl.gov/sites/all/files/tracking\\_the\\_sun\\_ix\\_report\\_0.pdf](https://emp.lbl.gov/sites/all/files/tracking_the_sun_ix_report_0.pdf).

generation and provide support for more job growth in Connecticut. Installation of renewable energy facilities primarily utilizes local workers, so investment dollars are kept in our communities.<sup>6</sup> According to the Solar Foundation's 2015 jobs census, there were 1,951 solar jobs in Connecticut in 2015.<sup>7</sup> A January 2017 report by U.S. Department of Energy and BW Research Partnership estimates that there are 36,875 energy efficiency and solar jobs in Connecticut.<sup>8</sup> Continued proliferation of renewables in Connecticut will mean more employment opportunities and economic growth.

CFE strongly supports including three main components to any bill that amends the renewable portfolio standard.

First, the current RPS should be extended to require electric suppliers to gradually increase the amount of energy they supply from Class I renewable energy sources as follows: at least 35% Class I renewable energy sources by 2025; at least 50% Class I Renewable Energy Sources by 2030; and at least 80% from Class I Renewable Energy Sources by 2040. Adoption of these increased standards would keep Connecticut's renewable mandates on a pace similar to our neighboring states.

Second, the bill should also increase the alternative compliance payment (ACP) levied on utilities that do not meet the Class I Renewables RPS requirement to six and seven-tenths cents per kilowatt hour (or sixty-seven dollars per MWh) for 2017, and require an annual adjustment according to the previous year's Consumer Price Index. Currently, Connecticut's neighboring states (e.g., Maine, Massachusetts, and Rhode Island) have higher ACP rates for Class I renewables,<sup>9</sup> which makes it harder for Connecticut to compete for Class I Renewable Energy Credits (RECs) sold in a regional market.<sup>10</sup> Raising Connecticut's ACP rate for Class I renewables to sixty-seven dollars per MWh will both encourage compliance with the RPS and allow Connecticut to fairly compete in the regional market for Class I RECs.

Third, the bill should transfer ACP funds to support green energy programs at the Connecticut Green Bank. Prior to 2013, the ACP funds were transferred to the state's Clean Energy Fund (now known as the Connecticut Green Bank) for the development of Class I resources. In 2013, the law was amended to rebate these payments to ratepayers instead.<sup>11</sup> CFE believes that the ACP funds would have more impact if they were directed back to the Green Bank to support green energy development. While the amount each ratepayer individually

<sup>6</sup> Union of Concerned Scientists, *How Renewable Electricity Standards Deliver Economic Benefits* (May 2013), available at <http://awea.files.cms-plus.com/FileDownloads/pdfs/UCS%20Renewable-Electricity-Standards-Deliver-Economic-Benefits.pdf>.

<sup>7</sup> The Solar Foundation, *2015 National and State Solar Jobs Census*, [www.thesolarfoundation.org/solar-jobs-census/](http://www.thesolarfoundation.org/solar-jobs-census/); <http://www.thesolarfoundation.org/solar-jobs-census/solar-jobs-compendium-CT/>.

<sup>8</sup> U.S. Department of Energy and BW Research Partnership, *U.S. Energy and Employment Report* (Jan. 2017), available at [https://www.energy.gov/sites/prod/files/2017/01/f34/2017%20US%20Energy%20and%20Jobs%20Report\\_0.pdf](https://www.energy.gov/sites/prod/files/2017/01/f34/2017%20US%20Energy%20and%20Jobs%20Report_0.pdf).

<sup>9</sup> See DSIRE: Database of State Incentives for Renewables & Efficiency, *Renewables Portfolio Standard*, available at <http://programs.dsireusa.org/system/program?type=38&>.

<sup>10</sup> DEEP, *Restructuring Connecticut's Renewable Portfolio Standard* (2013), [http://www.ct.gov/deep/lib/deep/energy/rps/rps\\_final.pdf](http://www.ct.gov/deep/lib/deep/energy/rps/rps_final.pdf).

<sup>11</sup> See Public Act 13-303.

receives from the ACP refund is very small (CFE estimates under three dollars in 2014), the Green Bank could take the aggregate value of the ACP funds (\$7,860,956 in 2014) and leverage through investment for greater impact on our renewable economy. Directing the funds to clean energy programs at the Green Bank—that have a proven track record of creating jobs and growing deployment of renewables while reducing CO2 emissions—is the smartest investment Connecticut can make.

In conclusion, CFE supports the language proposed in S.B. No. 7104, but we urge the Committee to support an RPS bill with language that would (1) extend the RPS with increasing requirements for Class I renewables through 2040; (2) increase the ACP to sixty-seven dollars per MWh; and (3) redirect the ACP funds to the Green Bank's clean energy programs that have proven to be a good investment. By setting strong renewable standards, the legislature will not only help combat climate change, but will also be investing in Connecticut's future in a way that will support long-term economic and environmental health for our residents.

## **II. S.B. No. 973**

CFE submits this testimony in support of S.B. 973, An Act Concerning a Residential Sustainable Energy Program. This bill seeks to enable a state residential sustainable energy program (R-PACE) for the purpose of financing energy improvements.

Energy Efficiency projects are critical to our fight against global warming, as using less energy means burning fewer fossil fuels and putting less carbon dioxide into the atmosphere. CFE supports R-PACE as a counterpart program to the Green Bank's successful commercial PACE (C-PACE) program, which according to the Green Bank, to date has provided more than \$95.6 million in public-private financing for more than 150 clean energy projects, delivered over one thousand job-years of employment, and placed 18.6 MW of clean energy resulting in an annual reduction of over 19,000 tons of CO2 emissions.

S.B. 973 will provide better financing opportunities for residential property owners for energy efficient and renewable energy improvements, thereby increasing clean energy financing activity in Connecticut. R-PACE would also help Connecticut boost economic growth and job creation and will assist the state in achieving its energy efficiency and greenhouse gas reduction policy goals. CFE believes that we should join the other U.S. states that already have R-PACE programs, and expand Connecticut's clean energy financing options as proposed in S.B. 973.

## **III. S.B. No. 860**

CFE submits this testimony in Support of S.B. No. 860, An Act Concerning Contracts for Zero Emission Renewable Energy Credits (ZREC) and Low Emission Renewable Energy Credits (LREC). CFE supports the extension of Connecticut's ZREC programs, which require utilities to procure Class I renewable energy credits (RECs) under 15-year contracts with owners or developers of renewable energy projects.

Under the ZREC program, utilities solicit 15-year contracts with developers of renewable energy projects as large as one megawatt. The utilities are required to purchase a certain amount of renewable energy credits generated by the projects. The ZREC program is responsible for ensuring the installation of commercial solar with far fewer incentives than other states. The

price of solar has continued to fall—some estimate by as much as 60 percent since the ZREC program was first introduced in 2010.<sup>12</sup> Since there is still enormous development opportunities for class I renewables like solar and wind, the ZREC program should be extended. CFE supports extending the ZREC program through 2022 and changing the competitive solicitation process to make it more competitive as proposed in S.B. No. 860.

#### IV. H.B. No. 7107

CFE submits this testimony in opposition to H.B. No. 7107, An Act Concerning the Investment and Use of Regional Greenhouse Gas Account Funds. CFE strongly opposes the bill's proposal to broaden the types of energy investments authorized from the proceeds of the Regional Greenhouse Gas Initiative (RGGI) auctions to include gas and heating oil, which would undermine the purpose and effectiveness of RGGI.

RGGI, the first market-based carbon trading program in the nation, is a cooperative effort by northeastern and mid-Atlantic states to slow climate change by reducing carbon dioxide emissions from power plants. States choose how to use proceeds from RGGI auctions; in Connecticut, they're re-invested in clean energy and efficiency programs. In 2015 alone these energy efficiency investments provided an estimated \$968 million in lifetime bill savings for residents and businesses.<sup>13</sup>

RGGI is working effectively to slow our climate crisis and keep Connecticut resident's healthier. Since RGGI began in 2008, the program has raised nearly \$3 billion for energy efficiency, renewables, and other public benefit programs, and is on track to cut power plant emissions by 45 percent below 2005 levels by 2020.<sup>14</sup> A new report by Abt Associates report found that RGGI is responsible for preventing 8,200 asthma attacks, averting 39,000 lost work days, preventing 300-830 premature deaths, and realizing \$5.7 billion in health savings. The Abt study shows Connecticut has enjoyed major benefits to public health and productivity due to RGGI efforts, saving up to 34 lives, preventing 1,950 lost work days, and saving over \$300 million in health care costs.<sup>15</sup>

Expanding RGGI to include actions for natural gas and heating oil – dirty fossil fuels – the very source of emissions that RGGI is designed to reduce – makes no sense and would dilute RGGI's effectiveness in keeping our climate and the air we breathe healthy.

<sup>12</sup> Matt Pilon, Hartford Business.Com, *Utilities Prep ZREC Program for Fifth Year*, April 8, 2016, available at <http://www.hartfordbusiness.com/article/20160408/NEWS01/160409906/utilities-prep-zrec-program-for-fifth-year>.

<sup>13</sup> The Stratford Star, *Connecticut To Save Nearly \$1 Billion Through 2015 Energy Efficiency Efforts*, March 8, 2016, <http://www.stratfordstar.com/48281/connecticut-to-save-nearly-1-billion-through-2015-energy-efficiency-efforts/>. See also RGGI Inc., *RGGI States Make Major Cuts to Greenhouse Gas Emissions from Power Plants*, Jan. 13, 2014, available at [http://www.rggi.org/docs/PressReleases/PR011314\\_AuctionNotice23.pdf](http://www.rggi.org/docs/PressReleases/PR011314_AuctionNotice23.pdf).

<sup>14</sup> Center for Climate and Energy Solutions, *Regional Greenhouse Gas Initiative*, <https://www.c2es.org/us-states-regions/regional-climate-initiatives/rggi>.

<sup>15</sup> Abt Associates, *Analysis of the Public Health Impacts of the Regional Greenhouse Gas Initiative, 2009-2014*, (Jan. 2017), <http://abtassociates.com/AbtAssociates/files/7e/7e38e795-aba2-4756-ab72-ba7ae7f53f16.pdf>.

**V. S.B. No. 7208**

CFE submits this testimony in Support of SB 7208, An Act Concerning the Commercial Property Assessed Clean Energy Program. CFE supports C-PACE, which according to the Green Bank, to date has provided more than \$95.6 million in public-private financing for more than 150 clean energy projects, delivered over one thousand job-years of employment, and placed 18.6 MW of clean energy resulting in an annual reduction of over 19,000 tons of CO2 emissions. CFE supports the technical revisions to the C-PACE statute proposed in S.B. 7208, including the proposal to allow C-PACE financing toward renewable energy and energy efficiency measures on new constructions.

\* \* \*

Thank you for your time and consideration of this testimony.

Respectfully submitted,

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**Statement of the Connecticut Green Bank**  
**on House Bill 7208**  
**AN ACT CONCERNING THE COMMERCIAL PROPERTY ASSESSED CLEAN ENERGY PROGRAM**  
 March 7, 2017

*As the nation's first green bank, the Connecticut Green Bank ("Green Bank") leverages the limited public resources it receives to attract multiples of private investment to scale up clean energy deployment. Recently the Green Bank celebrated its 5-year anniversary, to which it has mobilized over \$1 billion of investment into Connecticut's clean energy economy, supported the creation of up to 13,000 direct, indirect and induced jobs, reduced the energy burden on over 20,000 households and businesses, deployed over 215 MW of clean energy, and helped reduce over 2.6 million metric tons of CO2 emissions over the life of the projects. The Green Bank supports the policy vision of cleaner, cheaper and more reliable energy sources for Connecticut – while creating jobs and supporting local economic development.*

**The Green Bank supports this proposal.**

HB 7208 makes clarifying changes: 1) to the term "energy improvements;" 2) to the term "lien," making it "benefit assessment lien" throughout the statute for consistency; 3) to the manner of financing allowable under third-party capital providers; and 4) to the survivability of the benefit assessment lien when a lien of prior right is foreclosed upon or enforced through the levy and sale process.

While these changes are minor in nature, we do envision that the first change will clarify that C-PACE financing is indeed available to new construction building projects. Specifically, that among the definitions of "energy improvement is "any improvement, renovation or retrofitting of qualifying commercial real property to reduce energy consumption or improve energy efficiency." To date the C-PACE program has been solely targeted at retrofit projects for existing buildings since the program's measure of energy savings requires an existing energy usage benchmark to compare against. The Green Bank can work with new commercial construction projects on the installation of renewable energy using C-PACE, but not energy efficiency. We are now seeing demand and market opportunities to use C-PACE financing to enable construction of high-performing new buildings – buildings that would otherwise have long lifetimes with little if any energy upgrades in their early years.

**Background on the Commercial Sustainable Energy Program: C-PACE**

The Commercial Property Assessed Clean Energy ("C-PACE") program is the Green Bank's flagship financing product for the commercial and industrial market. C-PACE allows building owners to finance

qualifying energy efficiency and clean energy improvements through a voluntary assessment on their property tax bill. Property owners pay for the improvements over time through this additional charge on their property tax bill, and the repayment obligation transfers automatically to the next owner if the property is sold. Capital provided under the C-PACE program is secured by a lien on the property, providing confidence in the likelihood of repayment. This confidence helps the Green Bank attract investment from the private sector at lower interest rates than might otherwise be available to a borrower using similar loan terms outside of C-PACE.

Several examples of C-PACE marketing material are included as appendices to this testimony; these are included for informational purposes only and are unrelated to this or any other legislative proposal.



## What is C-PACE?

Green energy upgrades for commercial buildings are important, but can be hard for building owners to pay for. C-PACE (Commercial Property Assessed Clean Energy) is an innovative financing solution from Connecticut Green Bank that makes it affordable for building owners to modernize their building, lower their energy costs and increase their bottom line:

### All types of properties can use it...

Nearly any type of commercial property is eligible. Privately owned, non-residential buildings (such as industrial, office, retail, agricultural, nonprofit, multifamily, etc.) can all benefit from C-PACE.



### ...to design a custom solution...

Building owners work with a contractor to develop a custom solution to save money and energy. Contractors connect with the Connecticut Green Bank and its technical advisors to provide a sturdy savings projection.



### ...with all kinds of energy upgrades.

Contractors develop projects that reduce energy usage, including: lighting, heating and cooling, insulation, motors, pumps, solar panels and other green energy upgrades.



### 100% financing...

Long-term, 100% financing is secured through a capital provider. Terms of up to 25 years allow building owners to spread payments out over time, resulting in positive cash flow for comprehensive projects.



### ...with a simple repayment structure...

C-PACE financing is repaid through an assessment that is placed on a building owner's property by their municipality, similar to a sewer assessment, that can be transferred if there is a change of ownership.



### ...saves energy and money.

Energy savings should more than offset assessment payments. With lower energy costs, building owners unlock positive cash flow for their businesses and increase their buildings' value.



**Green energy builds better businesses. Learn more at [cpace.com](http://cpace.com).**

# pacesetters >>

Accelerating the Growth of Connecticut's C-PACE Financing Program

C-PACE (Commercial Property Assessed Clean Energy) is an innovative and affordable way for businesses, manufacturers and nonprofits to pay for green energy upgrades. C-PACE financing covers 100% of project costs with no money down and is repaid as a long-term assessment on the property. C-PACE not only makes green energy accessible, it allows owners to immediately increase cash flow and improve their building's value.

PACEsetters are the building owners, investors, contractors and municipal leaders who are using the C-PACE program to drive investment, improve our commercial building stock and accelerate the impact of green energy on our environment, economy and communities.

**cpace**

SPARKED BY  
CONNECTICUT GREEN BANK

This quarterly dashboard tracks the growth catalyzed by PACEsetters in 3 key measures:

## INVESTMENT

### ➤ Demand is Growing

Approved applications are on the rise. Interest among building owners is growing thanks to an investment structure that provides confidence.

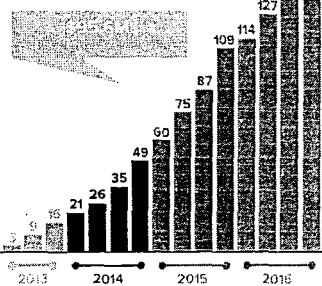
194

applications  
approved since  
program inception



### ➤ Closed Projects

Funded projects are increasing every quarter as more building owners take action to reduce their energy costs and increase NOI.



cumulative closed projects

### ➤ Total Capital Invested

Since program inception, the Green Bank is using fewer of its dollars to attract a growing amount of private capital.

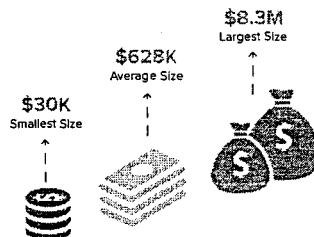


Green Bank vs. private

## IMPROVEMENTS

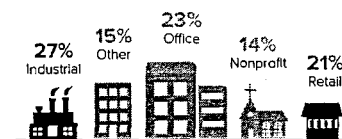
### ➤ All Sizes of Projects

C-PACE can bring virtually any green energy project, small or large, from a vision to a reality.



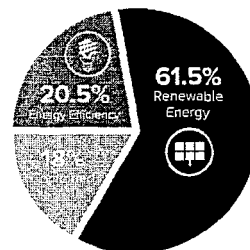
### ➤ All Shapes of Properties

From manufacturing facilities to YMCAs all commercial properties are eligible to use C-PACE for an energy saving project.



### ➤ All Types of Green Energy

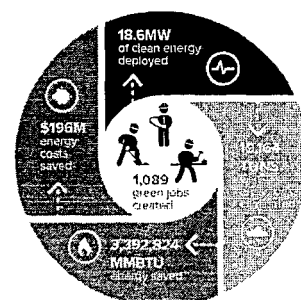
From simple boiler replacements to solar C-PACE works for any upgrade that reduces energy costs.



## IMPACT

### ➤ The Power of Green Energy

C-PACE projects are creating jobs, saving businesses millions of dollars, and supporting a cleaner, healthier environment.



### ➤ Making Green Work

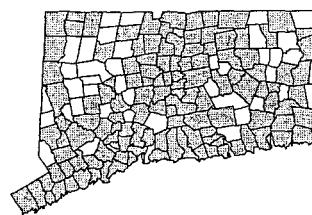
With financing available for hard and soft costs, C-PACE contractors can design comprehensive projects and gain access to new customers.

54 contractors have completed at least one C-PACE project



### ➤ More Green Communities

126 participating cities and towns can use C-PACE to fuel economic development, make their community cleaner and help their citizens thrive.



\*Energy savings based on projections

For more information and to see how Connecticut's C-PACE program is setting the pace, visit [C-PACE.com](http://C-PACE.com)

Sources: Connecticut Green Bank C-PACE program

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.

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CONNECTICUT  
GREEN BANK