

## **DE 17-136 Funding & Financing Working Group**

### **March 21st Meeting Agenda, 1.30-4.00 pm, Hearing Room A**

Call in number is 866-951-1151. Password 6462278

#### **1. Welcome**

#### **2. Review topics/observations covered in February 21st meeting:**

- a. Confirmation of topic areas under review and recommendations arising from January 24<sup>th</sup> meeting

#### Eversource Presentation

- b. Presentation by Eversource on behalf of the NH Utilities entitled Energy Efficiency Financing (Background Information for NH PUC Financing and Funding Work Group, Feb 21<sup>st</sup>, 2018)
- c. Review of financing mechanisms currently offered, historic participation information and opportunities and challenges posed by the on bill instrument
- d. Statement by Unitil that NH customers have considerable third party funds available but customers may be unwilling to take on debt or more debt
- e. The 2017 stakeholder process identified increasing accessibility for moderate income customers as important to ensuring equitable access to the benefits of energy efficiency. During 2018, the utilities will work with lending partners to develop an offering for implementation later in 2018.
- f. NHEC stated that the Market Assessment Study and Home Performance with Energy Star evaluations that are currently being developed will provide specific customer survey information that can be used to assist with future program design.
- g. Questions about customer characteristics, demand and measure/program response may be identified in the EM & V Market assessment study and HPwES process evaluation study
- h. Generally, NH Utilities believe EE program financing (loans) is a tool that helps to enable customers to participate in energy efficiency programs. Customers also have access to and frequently use other personal and private funding (other loans, credit cards, lines of credit, cash). Review of the buy down strategy and possible flexibility in either decreasing or increasing buy downs relative to income will be considered
- i. Refer to Quarterly Reports for current participation rates by financing program
- j. The level of denial of approval for on bill financing has historically been low
- k. PUC Staff asked about potential use of utility shareholder funds for loans in addition to ratepayer funding. NHEC indicated that it funds some programs using Coop member funds beyond existing program funds

#### Merrimack County Savings Bank/Meredith Village Savings Bank Presentation/Granite State Credit Union Letter

- l. Informal presentation by Carol Ritchie from Merrimack County Savings Bank /Meredith Village Savings bank

- m. Conclusions from Carol's presentation included: system working well at present, utilizing buydown for on bill finance to 2% but open to considering lower buy downs going forward. Since end of 2014, 107 unsecured loans issued. Approval process may take no more than 24 hours Normal bank terms for unsecured loans at around 12%, home improvement loans at 6.4%
- n. Currently zero application fee, with utilities performing early screening for eligible measures and the bank conducting underwriting and approving candidate( With no requirement to review bill history for 3<sup>rd</sup> Party loans)
- o. Unclear whether availability of a loan loss reserve would have any effect on lending conditions
- p. Reported a very low denial rate for 3<sup>rd</sup> Party lending applications
- q. Letter submitted on behalf of Granite State Credit Union confirming withdrawal from utility managed EE market due to poor Benefit/Cost of volume of lending vs required credit union resources, administration and maintenance

#### Funding

- r. Eversource shared a document demonstrating examination of funding possibilities back in 2010 in Massachusetts, with limited success. Had little time to review and need to better understand findings
- s. Discussion of VEIC grant from Tillotson Fund. Note: The funding accessed by VEIC is for the purpose of identifying energy efficiency value chains in rural economies. The funding is not for the deployment of energy saving measures or achievement of specific energy reductions
- t. Utilities shared the perspective that additional exploration of foundation/outside funds will require time and resources.
  - i. The Utilities noted that the current funding mechanisms provide a very direct connection between those investing in energy efficiency (all customers) and those who benefit from energy efficiency (all customers)
  - ii. Foundations usually have their own goals for what they want to achieve with their dollars, which may or may not coincide with the energy savings goals of the EERS.
  - iii. If Staff and other Work Group members strongly support the investment of time and resources to a further exploration of foundation and other funding, the utilities can and will do so
- u. PUC Staff raised the question as to whether some other currently undefined entity might be better suited to capturing foundation funding
- v. Need to better understand the role of entities like of Renew Financial+ Citi in not only generating loans for EE but successfully securitizing them

### **3. Recommendations arising from January 24<sup>th</sup>, and February 21<sup>st</sup> meetings**

#### **Jan 24<sup>th</sup>.**

- a. Review and define goals for EE financing and funding
- b. Once available, review market assessment studies concerning customer demand for EE products and services and willingness to make use of financing.
- c. Identify underserved populations and determine why

- d. Identify how existing programs can become more attractive to private financing institutions
- e. Investigate the case for establishment of a loan loss reserve fund and other ways to maximize the leverage of each EE dollar spent
- f. Understand under what terms and conditions private foundations may be willing to partner with us

**Feb 21<sup>st</sup>**

- g. Utilize evaluation results to strengthen market understanding, marketing approach and awareness
- h. Identify opportunities for increased education of contractor network regarding loan offerings and the potential for such loan offerings to increase customer commitments and project size, with possible consideration of some form of contractor incentive relative to loan offerings or knowledge thereof.
- i. There is a perceived need to better address those on moderate income and small C&I
- j. Examine under which conditions a loan loss reserve fund might bring down the perceived bank risk and thus lessen buy downs
- k. Need to examine the relationship between availability of buy downs/rebates and use of on bill finance and third-party lending instruments
- l. Need to understand how other states increase use of lending instruments.
  - i. The utilities noted in their presentation a number of factors that contribute to uptake of loan programs.
    - 1. Eligible measures – high cost measures that have high customer demand (such as heating systems or windows) seem to contribute to loan uptake in other states. A trade-off is the low cost effectiveness of these measures.
    - 2. Very low interest rates, like 0% in MA or our on-bill offering, can increase uptake. They can also result in higher buy-down costs, or free riders who take the loan even if they do not need it.
    - 3. Marketing and customer awareness – This was noted in the utility presentation as an area where we see opportunity and plan to increase efforts.
- m. Examine the business case for utilities making use of ‘shareholder’ funds in addition to existing ratepayer funds to promote EE programs
- n. Need to fully examine the customer acquisition process and if need be, how it can be simplified, strengthened, standardized and more effective
- o. Determination of what entity might take on the responsibility to identify, acquire and subsequently manage outside EE funding

*Corrections, augmentations and recommended studies/reports welcomed prior to next meeting. date.*

#### 4. Agenda

##### **Finance**

- a. Resumption of discussion concerning the goals for financing and funding within the EERS
- b. Consider priorities for financing and the loan process, i.e. tight controls vs quick approvals and larger loan amounts.  
Utilities to explain the current loan process for residential customers as an input to this discussion
- c. Discussion of the CDFA Clean Energy Fund model.

##### ***If time permits begin to examine the following:***

- d. How can the customer acquisition process be simplified, strengthened, standardized to become more effective  
(Utilities to be prepared to present detailed customer acquisition processes for various market segments)
- e. Examine the role of the contractor and how may that be made into a more effective acquisition tool  
(Utilities to invite contractor partners to speak about their experience in participating in EE programs and an examination of what is working and what needs strengthening)

##### ***Deferred to the following meeting:***

- f. *Discussion of the utilities approach in examining how can we better address the needs of those on moderate income and small C&I*  
*(Utilities will have a presentation on underserved customer groups and challenges)*
- g. *Review EE financing paradigms from other agencies and jurisdictions*  
*(Invite speakers)*

##### **Funding**

- h. Continuation of discussion of past efforts in Massachusetts /elsewhere to identify and partner with foundations

##### ***Deferred to the following meeting:***

- i. *Consider inviting a funding organization to speak to the WG to better understand the challenges and process*