DE 17-136 Funding & Financing Working Group,

April 18th 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 24th 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 21st, 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 3rd 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 3rd 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

<u>Funding</u>

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. Discussions and recommendations arising from January 24th, February 21st and March 21st meetings

Jan 24th.

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 21st

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

March 21st

1. Resumption of discussion of goals for financing and funding
2. Need to understand notion of effective demand
3. Utilities note that the savings targets were developed and agreed to by all parties and the Commission in both DE 15-137 and DE 17-136,but also note that some programs run short of funding early.   Is there additional demand beyond the established targets? Staff concerned

about utilities being limited by EERS budget, rather than thinking out of the box. Utilities design and implement the programs based on the targets that were agreed to. Staff is evaluating whether we can collectively make better use of each ratepayer dollar devoted to EE.

4. Staff explained the need to understand all the components of the EE program value chain and how financing and funding may enhance
5. On behalf of Eversource, Kate led a discussion of the following: market analysis and understanding of consumer groups; customer enrollment process, contractor activities, determination of need for lending, lending process by utility and bank, approval of works, timeframe, and any room for improvements?
6. Utilities noted that they are not lending institutions. However, they do offer on-bill solutions and partner with lending institutions to offer financing options for customers, and are committed to working collaboratively to further develop and refine Financing offerings. Staff raised the question as to whether better use can be made of institutions like the CDFA to promote a parallel sale channel.
7. Agreement to examine the lowest cost options for financing
8. Suggestion of need to better educate the marketplace/contractors
9. Need to understand the constraints faced by contractors in acquisition and delivery of EE measures
10. Staff recommendation to bring in one or two contractors to share insights, initially opposed by some utilities who were concerned about using contractors' time wisely.
11. Presentation by Scott Maslansky of CDFA concerning EE activities and lending mechanism.
12. Recommendation to further strengthen mutual activities and leverage respective funding sources
13. Utilities to coordinate with some residential and business contractors to participate in next meeting
14. Utilities want to better understand any programs offered with no rebates and facing quick loan approval
15. In trying to clarify use of the term 'rebates' one utility offered the following explanation. The Utilities would be concerned about potential reductions in project rebates as such changes may negatively impact the ability to meet goals. The utilities do not have this concern with regard to the interest rate buy-downs. We would be amenable to lowering interest rate buy-down amounts, **if** there were an agreement with lenders to reduce the full-cost interest rates or a determination that rates higher than 2% would be an attractive offering to customers.
16. Establishment of an Energy Audit Fund to partially offset the cost of energy audits for C&I customers as an additional marketing tool and incentive.

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

4. Agenda

<u>Finance</u>

a. Utilities to coordinate contractor presentations on strengths /weaknesses of current customer acquisition and financing process.
Anticipated contractors to include the following:
Bill Newell, Owner, Newell & Crathern (Residential)
Tori Martin, Client Services Manager, Yankee Thermal Imaging (Residential)
Meghan Hoye, President, LighTec (C&I);
Optionally, Representative from Energy Efficient Investments, Inc. (C&I, Performance Contractor)

b. Staff to coordinate presentation of the Commons Energy Model.
Present in person will be Rebecca Foster from Commons Energy, with Peter Adamczyk participating by phone.

c. Resumption of discussion concerning the goals for financing and funding within the EERS

d. Discussion of the utilities approach in examining how can we better address the needs of those on moderate income and small C&I
(Utilities to provide an update and are planning a presentation for the May meeting)

<u>Funding</u>

e. Continuation of discussion of past efforts in Massachusetts /elsewhere to identify and partner with foundations (if time available).