The PUC Staff is pleased to find the statement on page 52 of the NH Saves Draft Plan (the Plan), "That other financing options ...might be helpful to NH Business customers, including those offered by the NH Community Development Finance Authority (CDFA), the NH Business Finance Authority (BFA), possible PACE financing where available and loans with other lending institutions around the state." Staff is also pleased to see, in Section 3.5 of the Plan that "The NH Utilities will continue to review and research opportunities and models that may provide program funding sources or other approaches to making capital available to customers in the future."

Section 5 of the Draft Plan describes a scenario in which the utilities continue their current limited program of financing activities, to provide options to customers requiring assistance in covering the co-payment portion of their energy efficiency installation projects, while researching the possibility of making existing loan programs more accessible to residential customers of moderate income.

Staff believes that continued increases in ratepayer funding to meet the needs of rising EERS targets will not be sustainable in the long run. To that end Staff believes that it is vital that the EERS Plan makes better use of private sector funding to meet its energy efficiency goals. Better use of each ratepayer dollar should be encouraged by leveraging the private sector to achieve greater targets. The Union of Concerned Scientists has estimated that an initial capitalization of $14 million can be leveraged into a $300 million investment in renewable energy and energy efficiency projects over the next 15 years in New Hampshire.

Around the country various initiatives are under way to encourage private sector participation (PSP) in energy efficiency. In some states' they are being led by the utilities themselves, in others they occur through the establishment of alternative funding mechanisms. Staff are well aware that energy efficiency finance does not alone drive the market, yet on page 17 of the draft Plan, the utilities have stated that PA's should continue to engage and explore new private financing channels and other funding opportunities.

Rather than postpone further, Staff would encourage the utilities to consider the further capitalization of an alternative sales channel that will initially and for a trial period target the needs of the small and medium size business community, in parallel to the utilities by making use of private sector funding in addition to utility rebate programs. Using outcomes of the trial, PUC staff, Utilities, and other stakeholder would consider longer term strategies to build on the successes of the expanded energy efficiency programs and outcomes.

Near term strategy: Customer co-pay financing

Staff have held a number of discussions with the CDFA and would like to propose a model for consideration. The model builds on the CDFA's Clean Energy Fund structure and brings to scale the development of a market in NH where independent contractors (i.e., the ones typically providing electrical, plumbing, HVAC, insulation and related equipment installation and services) are relied on more heavily to perform the primary client acquisition role for promotion and installation of energy efficiency measures. Private contractors know their products and services best and are well placed to identify potential clients.

CDFA currently operates a $9.5 M Clean Energy Fund which offers financial products and technical assistance to help municipalities, non-profits and businesses in New Hampshire better control their long term energy costs by improving the energy efficiency of their buildings and adding renewable energy technologies when economically appropriate. The Clean Energy Fund is designed to help finance commercial-scale energy efficiency and integrated renewable energy generation projects. Since 2015, CDFA's Clean Energy Fund has completed 30 loans for a total of $4.8M.

As in the existing Clean Energy Fund structure, the CDFA or a similar organization would perform a 'near financial institutional' (NFI) role by reducing the risk of potential lenders investments in coordination with the Utilities. Using a portion of the Eversource Auction proceeds for the establishment of a loan loss reserve (LLR) and further capitalization of the Clean Energy Fund, the targeted banks could offer lending terms at preferential rates due to lower risk. The NFI would perform underwriting functions that would enable loan approval and permit contractors to act quickly.

The portfolio of programs and measures would be those submitted by the utilities and approved by the PUC and could make use of the utility rebate schemes as well as enable utilities to claim the associated savings.

In the medium term, it would be hoped that the financial nexus created around the NFI, if approved by the PUC, would attract outside foundation capital. Additional capital would allow the NFI to strengthen its LLR, other programs or work towards longer term strategies and new programing as outlined below. Finally, when the portfolio of lending reaches a critical mass, the portfolio could be securitized leading to a further influx of lending possibilities.

Staff are pleased that the VEIC endorses the notion of increasing the resources available to energy efficiency above and beyond the SBC/LDAC charges. Staff invites the utilities to assist in the establishment of such a parallel sales channel with a view to having a mechanism in place by the end of 2018. Staff further recommends that targets be set for the development of this alternate sales channel for each of the three consecutive years of the initial EERS; and Staff looks forward to a much broader group of contractors and lending institutions participating in the market thereby promoting more rapid market transformation.

<u>Near term recommendation</u>

Staff recommends that the Board ask the utilities to make more explicit, in the Plan, the distinction between funding used to assist customers with the co-pay piece of their energy efficiency projects (i.e., loans, on-bill financing, etc.), and funding used directly by the utilities as an offset for or supplement to the rebate dollars (or upstream buy-downs) provided within individual utility programs.

Further Staff recommends that with respect to customer co-pay financing, the utilities consider the following in the short run:

1. Turning to an existing or new CDFI (community development financial institution) as the driving force to implement a meaningful program of third-party financing to supplement ratepayer-financed rebates;
2. Enhancing the on-bill bill financing program for residential and C & I customers by increasing the minimum loan amount and offering tiered interest rates;
3. Making financing meaningfully available to low-income customers (i.e., customers below 80 percent of Area Median Income);
4. Developing a loan-loss reserve fund;

5. Expanding the maximum loan term to 15 years so that positive monthly cash flow can be achieved for most projects;
6. Streamlining the loan review and approval process so that it takes two days or less.

Long term strategy development: Utility rebate and buy-down funding

Further Staff recommends that with respect to utility rebate and buy-down funding:

1. Identifying and pursuing grant opportunities to the greatest extent possible, and coordinating with an existing or new CDFI to assist with administration in the event that utilities may be prohibited to directly be the recipient of any such grants;
2. Coordinating with an existing or new CDFI to identify and pursue strategies for procuring funding through socially conscious equity investors, banks, and/or organizations subject to carbon compliance obligations;
3. Evaluating the results of the near term solutions and use those results to adopt a fully integrated financing mechanism to achieve full transformation of the market
4. Researching and considering other innovative funding opportunities;
5. Implementing the above four efforts in a collaborate manner, with input and assistance from a working group of knowledgeable and interested stakeholders.

As part of these considerations, and to better insure progress is being made toward identifying and procuring viable finance and funding solutions available for incorporation in the utilities' next three year plan (2021-2022), the Committee recommends the utilities include commitments within the revised Plan to complete relevant research activities during 2018 in time for incorporation and implementation of results into the utilities' annual update filings for the 2019 and 2020 program years.