September 22, 2020

Ms. Debra A. Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 18
Concord, New Hampshire 03301

Re: Amended Recommendation for the Clean Energy Fund

Dear Ms. Howland,

The Community Development Finance Authority (CDFA) appreciates the opportunity we had to participate in the two stakeholder sessions held on December 19, 2019, and January 27, 2020, regarding the Public Utilities Commission/Office of Strategic Initiatives' November 7, 2019 proposed use for the Clean Energy Fund, as well the opportunity to provide written feedback.

CDFA generally supports the uses of the fund as outlined in the Amended Recommendations filed August 3, 2020 and would like to provide some additional information and recommendations.

CDFA continues to see demand for consistent and flexible clean energy financing as well as broader interest and uptake in energy efficiency and clean energy measures from the nonprofit organizations, businesses and municipalities we support in all of our programing. This demand for commercial energy project financing continues to exceed our availability of flexible funds.

The objective of using a portion of the Clean Energy Fund for a LLR is to leverage private investment and develop a larger pool for accessible clean energy loans while using the Interest Rate Buy-down (IRB) to benefit borrowers interested in clean energy investments. Nationally and locally, the trend toward impact investing has increased in recent years. CDFA's conversations with potential investors interested in clean energy investments have confirmed this need for risk reduction (i.e. from a credit enhancement such as a LLR) as well as the importance of funds to buy down the rate for borrowers.

Direct project support via incentives and grants are crucial to building momentum for uptake of clean energy technologies. It is vital, however, to provide a robust and consistent landscape of accessible financing to complement these incentives as well as to support projects as incentives change and ultimately wane.

Commercial Allocation
While CDFA currently manages a group of existing Revolving Loan Funds (RLFs) for commercial projects, the majority of these funds must be allocated to a narrow pool of projects due to restricted eligibility and use, and extensive reporting requirements. These limitations necessitate the development of a more flexible financing pool. Even with multiple infusions of funds into this type of pool, financing demand is exceeding availability of funds. Outside investment will be required to develop a robust pool of funds dedicated to long-term clean energy financing in NH.

In spite of the impact of COVID-19 on New Hampshire businesses and nonprofits, demand for commercial clean energy financing continues. In the period from May to June, 2020 CDFA closed four loans totaling $716,000 and

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including three loans from our flexible funding pool. All four loans were in Eversource's service territory. In the past, CDFA has had to turn away applicants because there was not have enough funding available in our flexible CDFA pool.

Entities like CDFA are able to offer financing to organizations providing public benefits and businesses that are economic drivers in the State. The focus is mission-oriented toward this community and economic impact and decisions are less restricted by regulatory requirements. There can be greater flexibility in underwriting including the use of potential savings to assess cash flow and a strong impetus to support organizations and projects that benefit low- and moderate-income New Hampshire residents.

Additional demand for financing may stem from an expansion of clean energy grants including the recommendation to allocate funds for a commercial-scale energy storage program and from future VW solicitations for electric vehicle charging. These projects will still require substantial upfront capital. As grant funds reduce payback periods, financing provides stronger value with increased likelihood of providing neutral or positive net cash flow for the customer throughout the payback period.

Regarding the IRB portion of the commercial allocation, it would be helpful to have clarification on how the ratio of IRB to LLR funds was determined. In order to reduce market rates by 200 basis points (2%) on funds leveraged by $1,475,000 in LLR allocation, an IRB of $1,137,568 would be required assuming a conservative Loan Loss Coverage Ratio of 15%. If the allocation of IRB funds is too small, the rate will not be beneficial to borrowers or the IRB will only reduce rates for a small portion of the RLF. In fact, limiting the IRB to $375,000 effectively limits the leverage of the $1,475,000 LLR to a fund supporting only a $3.25MM RLF.

<u>Residential Allocation</u>

CDFA supports a separate allocation of funds for the residential and commercial sectors to provide specific benefit to each customer sector. However, as CDFA described in the stakeholder sessions and our initial written response, a review of our experience supporting single-family residential clean energy projects by providing LLR and IRB funds to participating lenders indicated that this structure may not be effective for the single family market. Additionally, connecting LLR funds to individual loans would not be an efficient means to leverage private capital or to efficiently implement a revolving loan fund. Regarding demand in the residential sector, it is also our understanding that 3rd party financing subsidized by the NH utilities has not had significant uptake in comparison to the number of projects participating in their incentive programs.

If allocation for the Residential sector is based on meter type, then CDFA recommends that the proposed loan size cap is increased or clarified as $35,000 **per meter** to provide the opportunity for supporting more significant upgrades for residentially-metered multifamily buildings.

<u>Other Comments</u>

Regarding administrative costs, it is unclear from the Amended Recommendations how administrative costs will be allocated for each of the different program areas.

As stated in our previous responses, CDFA supports the development of a stakeholder group to assess the continuing value of, and potential adjustment to, the allocations for the Clean Energy Fund.

Regarding eligible technologies, CDFA recommends that Air Source Heat Pumps be added to the eligible technologies and that there would be flexibility to add other clean energy technologies that have not been listed. In addition, CDFA recommends including energy efficiency to the eligible measures, especially where efficiency measures would be paired with clean energy technologies. We would also like confirm that these funds can be combined with other financing when appropriate. The intent is to reduce barriers to customers implementing more comprehensive projects, including the need to seek multiple sources of financing.

The amended recommendations will likely attract partners who will greatly advance NH's clean energy strategy. We thank you for your dedication to this effort and your consideration of CDFA's input and recommendations.

Sincerely,

Katherine Easterly Martey
Executive Director