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STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

November 10, 2020 - 10:11 a.m.

[Remote Hearing conducted via Webex]

**RE: DE 14-238
PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
Determination Regarding PSNH's
Generation Assets.
DE 11-250
PUBLIC SERVICE CO. OF NEW HAMPSHIRE:
Investigation of Scrubber Costs and
Cost Recovery, Approval of Use of
the Clean Energy Fund.
(Hearing to receive oral argument
and public comment)**

PRESENT: Chairwoman Dianne Martin, Presiding
Cmsr. Kathryn M. Bailey

Doreen Borden, Clerk
Eric Wind, PUC Remote Hearing Host

APPEARANCES: (No appearances taken)

Court Reporter: Steven E. Patnaude, LCR No. 52

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P R O C E E D I N G

CHAIRWOMAN MARTIN: Okay. Let's go on the record.

We're here this morning in Dockets DE 11-250 and DE 14-238 for oral argument from the parties and public comment from interested persons, concerning whether the recommended uses and allocations for the Clean Energy Fund are consistent with the principles supporting the cost-effective and efficient use of these funds approved in Order Number 25,290.

I need to make the findings required for this remote hearing.

As Chairwoman of the Public Utilities Commission, I find that due to the State of Emergency declared by the Governor as a result of the COVID-19 pandemic, and in accordance with the Governor's Emergency Order Number 12, pursuant to Executive Order 2020-04, this public body is authorized to meet electronically. Please note that there is no physical location to observe and listen contemporaneously to this hearing, which was authorized pursuant to the Governor's Emergency Order.

1 However, in accordance with the
2 Emergency Order, I am confirming that we are
3 utilizing Webex for this electronic hearing. All
4 members of the Commission have the ability to
5 communicate contemporaneously during this
6 hearing, and the public has access to
7 contemporaneously listen and, if necessary,
8 participate.

9 We previously gave notice to the public
10 of the necessary information for accessing the
11 hearing in the secretarial letter. If anybody
12 has a problem during the hearing, please call
13 (603)271-2431. In the event the public is unable
14 to access the hearing, the hearing will be
15 adjourned and rescheduled.

16 Okay. We'll take a roll call
17 attendance of the Commission. My name is Dianne
18 Martin. I am the Chairwoman of the Public
19 Utilities Commission. And I am alone.

20 Commissioner Bailey.

21 CMSR. BAILEY: Good morning.

22 Commissioner Kathryn Bailey. And I am alone.

23 CHAIRWOMAN MARTIN: All right. So, I'm
24 going to take public comment and oral argument.

1 And I think that I have at least a starting list,
2 but I want to check with Mr. Wind and everyone
3 present to make sure it's complete.

4 I have Clean Energy New Hampshire,
5 Ms. Mineau. I have Eversource, Mr. Fossum. For
6 CLF, Mr. Krakoff. Do we have OSI here?

7 OSI is not present? Okay. OCA, I see
8 Mr. Kreis. For Staff, Ms. Ross, where are you?

9 There you are. And CDFA, Mr.
10 Maslansky? There you are.

11 Did I miss anybody?

12 *[No indication given.]*

13 CHAIRWOMAN MARTIN: Excellent. Okay.
14 Well, then why don't we begin with Ms. Mineau.

15 MS. MINEAU: Thank you, Chairwoman
16 Martin.

17 And first, we appreciate that the
18 Commission has scheduled this hearing to allow
19 for additional input on the use of the Clean
20 Energy Fund. It's an important opportunity to
21 advance clean energy in New Hampshire. And we
22 and our members think it is important to act
23 without additional delay to put the Fund to use
24 in the most effective manner possible.

1 The challenge remains that there is not
2 unanimous agreement between the Parties to the
3 Settlement over the purpose for which the Fund
4 should be used, or really even the process that
5 should be used to reach the ultimate decision.

6 As Clean Energy New Hampshire stated in
7 our September 4th comments, we support the use of
8 the Fund that would go on on-bill financing, and
9 we think that energy efficiency improvements, as
10 well as air source heat pumps, should also be
11 eligible for this.

12 We would also support additional
13 on-bill financing opportunities for
14 commercial/industrial customers, including
15 municipalities. In addition, we support the use
16 of the funds that would create a new C&I solar
17 plus storage incentive.

18 However, most of the Fund is proposed
19 by Staff and OSI to go into financing. Though,
20 access to financing can be a barrier to
21 implementation of certain energy efficiency and
22 clean energy projects, in our experience, working
23 closely with those industries in New Hampshire,
24 it's not, in most cases, the primary barrier.

1 We're concerned that, if the Clean
2 Energy Fund were to be used as currently
3 proposed, then a significant amount of the Fund
4 may go unused. This would eliminate or severely
5 reduce any benefits envisioned by the creation of
6 the Clean Energy Fund.

7 During stakeholder discussions, there
8 was a robust conversation, and I believe
9 agreement among the Parties, that if the funds
10 were to go into financing, there should be
11 reporting and oversight, that includes
12 stakeholders like us, and that there should be a
13 mechanism established to reinvest the funds into
14 another use if there was a lack of demand for the
15 funds in the loan loss reserve.

16 This was not captured in Staff's
17 recommendation submitted in August, and we feel
18 strongly that such oversight, reporting, and
19 modification mechanism must be established if the
20 funds go into financing.

21 However, in our view, there is one new
22 additional consideration since we filed our
23 comments in September, that there is -- there is
24 now considerable uncertainty over the status of

1 the Renewable Energy Fund. New fiscal year
2 budgets are typically issued in September. For
3 example, last year there was a Staff memo on
4 September 6. This year, we're in November, with
5 no proposed or set budgets for the Renewable
6 Energy Fund. We're told that a legislative
7 change from 2017 is now being considered
8 potentially consequential and preventing budgets
9 from being set.

10 Why this change is only being
11 considered now is unclear to us. We find the
12 delays and uncertainty alarming, and we urge that
13 budgets for FY21 be issued without further delay.

14 I bring this up, because, honestly,
15 it's difficult to conclude how the Clean Energy
16 Fund can be most effective with the status of the
17 Renewable Energy Fund so uncertain. Many
18 stakeholders have expressed a desire that the
19 Clean Energy Fund be additive, and not
20 duplicative, of existing programs. But, right
21 now, we're unsure if we'll have a Renewable
22 Energy Fund in 2021, and the rebates and grants
23 that it supports. Or, if we'll be fighting off
24 an attempt to divert the Fund elsewhere.

1 With low REC values, uncertain rebates,
2 and more conservative net metering credits than
3 other states in the region, it's not access to
4 financing that's holding back customers from
5 investing in renewable energy here.

6 As much as I can appreciate the desire
7 of some of my colleagues to put the Fund into
8 financing, so that it doesn't just get spent and
9 go away, it really won't do any good if the money
10 just sits there, or finances projects that would
11 get financed otherwise.

12 We hear consistently from our members
13 that incentives, grants, and rebates is what will
14 make the difference between getting projects done
15 or not, whether it's renewable energy or
16 efficiency.

17 What we want most of all is to get the
18 Fund to work without additional delay. And,
19 therefore, we request that the Parties to the
20 Settlement Agreement work expeditiously to find
21 consensus over the use of the funds.

22 Our current position is that we would
23 recommend putting half of the funds into
24 incentives and half into financing, with the

1 financing focused on on-bill financing.

2 Thank you.

3 CHAIRWOMAN MARTIN: Commissioner
4 Bailey, do you have questions?

5 CMSR. BAILEY: Not at this time. Thank
6 you.

7 CHAIRWOMAN MARTIN: I have a question.
8 And this is a high-level question probably for
9 everyone.

10 But you raised the issue of a "lack of
11 consensus", and recommended that the Parties work
12 to "reach consensus". What if there was no
13 consensus as you suggested? What is your
14 position on how that needs to be handled, in
15 light of the Settlement?

16 MS. MINEAU: I don't -- I mean, I'm not
17 an attorney. And, so, my reading of the
18 Settlement Agreement does not provide a clear
19 conflict resolution pathway. I don't think it is
20 clear in the Settlement Agreement. It says that
21 the Parties, working with OSI and Staff, should
22 work on deciding how the Fund gets spent.

23 I don't think it's clear, if that
24 doesn't happen, if we can't agree, what is the

1 recourse and who makes that final decision.

2 CHAIRWOMAN MARTIN: And you suggested
3 that the current proposal has essentially too
4 much for financing, and that some of those
5 projects might get financed otherwise. What
6 supports that, I guess, the suggestion related to
7 the financing, and the projects that would get
8 financed otherwise?

9 MS. MINEAU: So, when we talk to solar
10 installers, energy efficiency contractors, what
11 we hear is that their customers do not have a
12 problem getting financing or accessing financing
13 from resources that is already acceptable to
14 them, whether it be their banks or other avenues.
15 Some of the contractors work closely with
16 financing opportunities and make those
17 opportunities available to their customers.

18 And, so, you know, we talk to a lot of
19 folks in the industry, and they say "access to
20 financing is not what's preventing projects from
21 getting built or done." You know, it's often
22 "Will there be a rebate or not?" "Can I get a
23 grant or not?" It's the return on investment.
24 That's the bottom line.

1 And, so, that's why we've asked why the
2 decision was made to put it into a loan loss -- I
3 mean, why the initial proposal was to put it into
4 a loan loss reserve or interest rate buy-down?
5 If there was a market research done? If there
6 was some sort of evidence for overwhelming demand
7 for that type of financing product?

8 And, as far as we can tell, we have
9 never seen that type of evidence.

10 CHAIRWOMAN MARTIN: All right. Thank
11 you.

12 Mr. Fossum, you're next on my list.

13 MR. FOSSUM: Then, I will proceed. And
14 I probably won't take up very much of your time.

15 Okay. Throughout this process,
16 Eversource has been prepared and stands ready to
17 capitalize the Fund, as we had agreed to do, and
18 we're prepared to do that, once we understand
19 where it is that the Fund dollars are to be
20 directed.

21 Ultimately, how the Fund dollars are
22 spent is not something that we feel any
23 particular need to weigh in on or help direct.
24 We believe that the Settlement provided for a

1 collaborative process that would lead to that,
2 and we're happy to let that process play out.

3 The only note that I will make is that
4 some of the suggestions and proposals that we
5 have seen for funding -- for uses of the funding
6 may result in some administrative costs or other
7 costs flowing back to at least Eversource for,
8 for example, potential changes to the billing
9 system to handle on-bill financing, as an
10 example. The scope of changes may be small, may
11 be large, it will depend ultimately on where that
12 comes out. But we just wanted to raise that as
13 an item to keep in mind.

14 Beyond that, we have a couple of people
15 who have joined on behalf of Eversource today,
16 and can answer questions, if there are any.

17 CHAIRWOMAN MARTIN: Okay. Thank you.
18 Commissioner Bailey, do you have questions?

19 *(Cmsr. Bailey indicating in the*
20 *negative.)*

21 CHAIRWOMAN MARTIN: Okay. I don't have
22 any questions for you either. Thank you.

23 Mr. Krakoff -- oh, Commissioner Bailey.

24 CMSR. BAILEY: I'd like to hear

1 Mr. Fossum's answer to your question. What
2 happens if the collaborative process can't result
3 in something that everybody agrees to, what's
4 your interpretation under the Settlement
5 Agreement?

6 MR. FOSSUM: I don't know that I
7 disagree with what Ms. Mineau said. That the
8 particular term of the Settlement Agreement
9 simply says that "Details regarding it would be
10 established via a collaborative process overseen
11 by the Staff and", at the time, "OEP", now "OSI".
12 Beyond that, it doesn't really specify how things
13 would be addressed.

14 And I guess, from our perspective,
15 we're, you know, fairly close to agnostic about
16 how it gets resolved, is the correct word, use of
17 "agnostic" there.

18 Ultimately, you know, we have set aside
19 the funds on our books, and they're sitting there
20 waiting to be told where that they should be
21 deposited and housed. And, so, by whatever
22 process this group or the Commission may order,
23 when there's a resolution, we're prepared to
24 abide by it.

1 But I would say the Settlement
2 Agreement doesn't provide for any specifics. So,
3 beyond that, I think it's up to this group to
4 figure that out.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 Mr. Krakoff.

7 MR. KRAKOFF: Good morning, Chairwoman
8 Martin and Commissioner Bailey.

9 The Conservation Law Foundation
10 appreciates the opportunity to participate in
11 this hearing today, and to comment on Staff and
12 OSI's Amended Recommendation on the use of the
13 Clean Energy Fund.

14 While CLF appreciates Staff and OSI's
15 efforts to develop the recommendations and, you
16 know, the work they put into this, CLF disagrees
17 with the recommendations in several material
18 respects.

19 Regarding the Residential Sector, CLF
20 believes that, you know, there will be
21 insufficient demand for the 1.475 million in loan
22 loss reserve and for the 375,000 in interest rate
23 buy-downs, and that the current proposal for
24 these funds ultimately will do little to benefit

1 residential customers.

2 So, CLF proposes that we allocate these
3 funds in the following respects:

4 You know, first, while CLF generally
5 supports the on-bill financing suggestion, CLF
6 thinks that approximately 250,000, or perhaps
7 more, in the residential fund should be
8 reallocated to on-bill financing, to increase the
9 on-bill financing amount to at least a million
10 dollars in total.

11 Second, in contrast with the proposal
12 that's been set forth by OSI and Staff, CLF
13 thinks that the on-bill financing funds should be
14 available for energy efficiency measures that are
15 not currently funded by New Hampshire's energy
16 efficiency programs.

17 The way I read the recommendations,
18 they're trying to limit the use of the funds for
19 energy efficiency. And, you know, I don't think
20 there should be this limitation. You know, I
21 think the on-bill financing should be made
22 available for energy efficiency, you know, as
23 long as it's made clear that, you know, this
24 money is really to supplement the current

1 energy efficiency programs, rather than replace
2 them.

3 And, second, for, you know, the
4 remaining 1.6 million that's currently allocated
5 to loan loss reserve and interest rate buy-downs,
6 CLF would urge the Commission to maybe issue an
7 RFP to the lending community on ways to use the
8 Fund to benefit residential customers. You know,
9 this RFP could be flexible enough such that
10 lending institutions could develop innovative
11 proposals to use the funds for LLR, interest
12 rate buy-downs, or other lending initiatives
13 that would demonstrably benefit residential
14 customers.

15 You know, in our opinion, issuance of
16 an RFP would accomplish several of the criteria
17 established in the 2015 Restructuring and Rate
18 Stabilization Agreement, including supporting
19 innovation and achieving clean energy benefits;
20 leveraging various sources of funds, including
21 attracting private capital to the fund and to
22 programs supported by the Fund, and expanding
23 access to clean energy across customer classes in
24 a cost-effective manner.

1 Of course, you know, even if the
2 Commission were to issue an RFP, you know, there
3 is still a risk that there would be insufficient
4 proposals submitted. In such an event, CLF would
5 support the initiation of a stakeholder process
6 within one year, if the Commission determined
7 there were insufficient responses to the RFP, in
8 order to decide how to use the remaining funds.

9 In such a situation, CLF would likely
10 still oppose use of the remaining funds for
11 direct grants or investments, unless it can be
12 established that, you know, direct grants were
13 the only plausible use for the funds, and that
14 all other uses would not result in the funds
15 being used.

16 At the current time, CLF opposes using
17 the Clean Energy Fund for direct grants, because,
18 you know, as you've heard, direct grants result
19 in the funds not being available for future use.
20 But, you know, we really think that we should,
21 you know, at least try a different approach
22 before we go down that road.

23 CLF is also opposed at this time to
24 diverting the Clean Energy Fund to the Renewable

1 Energy Fund.

2 Next, for the Residential Sector, to
3 the extent that there are funds that are used for
4 LLR, the proposed loan cap should be raised to
5 \$35,000 per meter, rather than \$35,000 total, in
6 order to encourage lending to multiunit owners.

7 You know, finally, you know, as
8 Ms. Mineau suggested, CLF also agrees that the
9 clean energy funding should be available for the
10 purchase of air source heat pumps.

11 Finally, turning briefly to the
12 Commercial & Industrial Sector, CLF generally
13 agrees with the recommendations set forth by
14 Staff and OSI with respect to that. Yes,
15 however, CLF also believes that, you know, the
16 funds for commercial and industrial should also
17 be available for air source heat pumps, in
18 addition to what's listed currently.

19 CLF thanks you for your time today, and
20 is happy to answer your questions, if you have
21 any.

22 CHAIRWOMAN MARTIN: Commissioner
23 Bailey.

24 CMSR. BAILEY: Mr. Krakoff, I'm a

1 little confused about your position.

2 Is it you don't think that there should
3 be a loan loss reserve, you don't think the money
4 should be used for grants, and you don't think
5 they should be used for loans?

6 MR. KRAKOFF: No. That's not what I --
7 well, I'm sorry if I misrepresented myself.

8 What I meant was that, rather than --
9 yes, I do think it should be used for financing.
10 But, rather than, you know, kind of mandating
11 that we use, you know, the 1.475 million for LLR
12 and \$375,000 for interest rate buy-downs, you
13 know, I would suggest kind of a more flexible
14 approach, where we would sort of put together an
15 RFP and allow lending institutions to come
16 forward with proposals on ways, you know, on the
17 best ways to use this for financing.

18 So, you know, and I'm not -- I think
19 the approach that OSI and Staff had put forth is
20 maybe a little too inflexible, and, you know, we
21 should welcome proposals from the lending
22 community on kind of the best, you know, their
23 best suggestions on ways to use that for
24 financing.

1 CMSR. BAILEY: And do you think that
2 people will take advantage of the financing?

3 MR. KRAKOFF: I'm not a finance guy.
4 But, you know, I think there could be a few
5 proposals. You know, and, again, if there are
6 not, I think, you know, once we determine that
7 there, you know, if there are not enough
8 proposals, we should initiate a stakeholder
9 process to kind of come up with Plan B.

10 You know, I just don't think that the
11 right approach at this time is to use that money
12 for direct grants, you know, because, again, that
13 kind of ends those funds. And, you know, I would
14 like to be able to extend the use of the funds,
15 if we can.

16 CMSR. BAILEY: Okay. Thank you.

17 CHAIRWOMAN MARTIN: Mr. Krakoff, I hear
18 your concern about the financing. But what is
19 your response to Ms. Mineau's point about there
20 not being an issue related to financing, and that
21 grants and rebates are what are needed?

22 MR. KRAKOFF: Yes. I mean I understand
23 her concern, and she may be correct. You know, I
24 just think we should kind of wait it out and make

1 100 percent sure that there isn't demand at this
2 time for financing. You know, I think, you know,
3 Madeleine, or Ms. Mineau, you know, may have a
4 better sense of, you know, the state of the
5 market and, you know, what the state of demand
6 for financing in the Residential Sector.

7 You know, I would just prefer to, you
8 know, exhaust all other options before we shift
9 those funds into direct grants or investments,
10 because, you know, I prefer to be able to extend
11 the use of that, if we can.

12 CHAIRWOMAN MARTIN: Okay. Thank you.
13 And the same question for you, related to, if
14 there is not a consensus, how you understand this
15 was meant to be resolved?

16 MR. KRAKOFF: You know, I think, you
17 know, honestly, today's proceeding is fairly
18 formal. And I think, you know, we should try to
19 establish some sort of a collaborative discussion
20 before the decision is made. And I think,
21 ultimately, it's the Commission's determination.
22 But, you know, I think we should try to, you
23 know, perhaps get together in a separate meeting,
24 you know, really try to have a discussion where

1 we can decide the best use of those funds.

2 You know, I don't think that today
3 should be the end of the conversation. You know,
4 I don't think necessarily that the Commission
5 should just hear our comments and our argument
6 today, and then take it under advisement and make
7 a decision soon after, I think.

8 You know, while I understand that this
9 has been going on for several years, you know, to
10 the extent we can have a discussion and really
11 kind of bring all of our expertise and our
12 concerns to the table, and sort of really try to
13 develop consensus, I would encourage that before
14 we make any further final decisions. But, you
15 know, at the end of the day, I think it is in the
16 Commission's hands.

17 CHAIRWOMAN MARTIN: Can I ask what
18 would be different, if there were to be
19 additional collaborative discussions, how that
20 would differ from what has happened prior to
21 today? Do you think that would be meaningful and
22 useful? Or, has that occurred and you just can't
23 reach consensus?

24 MR. KRAKOFF: I mean, you know, I

1 think -- I think consensus still can be reached.
2 I just, you know, frankly, I was kind of late to
3 join the process, but, you know, I think there is
4 still consensus that can be gained.

5 You know, I'm not aware of how, you
6 know, that much of how the process has played out
7 prior to today. But, you know, I would suggest
8 that we still, to the extent we need additional
9 meetings to try to reach consensus, that we do
10 so.

11 CHAIRWOMAN MARTIN: Okay. Thank you.
12 Mr. Kreis.

13 MR. KREIS: Thank you, Chairwoman
14 Martin. I just had to find my "unmute" key,
15 which I finally did.

16 I'm really glad that you didn't call on
17 me first, because I have listened carefully to
18 what everybody else has to say. And I think
19 there is a lot of good faith and a lot of good
20 ideas already in circulation.

21 I believe that, procedurally, the Asset
22 Divestiture Agreement signed in 2015 contemplated
23 that the Commission would not decide how to spend
24 the money, after just hearing from the interested

1 parties, rather the Agreement called for Staff
2 and the Office of Strategic Initiatives to
3 superintend a collaborative process that would
4 conclude with the signatories to the 2015
5 Agreement reaching an agreement on the uses of
6 the Fund.

7 I note that OSI isn't even here today,
8 so, obviously, it can't do its agreed upon part
9 to help superintend the collaboration, at least
10 not in connection with today's hearing.

11 But I think the question that
12 Chairwoman Martin asked is very germane, like
13 what -- if the Commission isn't going to just
14 decide, then what process will lead to a
15 decision?

16 And having thought about it, while
17 everybody else was talking about it, I think my
18 answer is that this is a lot like jury
19 deliberations. I think it would be a good idea
20 for the Commission to essentially lock everybody
21 in a room, meaning all of the signatories, and
22 say "Reach agreement about this, in this
23 specified period of time, or the money is just
24 not going to get spent, or it's going to revert

1 back to Eversource."

2 I actually think that that would
3 happen. How do I know that would happen?
4 Because I am probably the most stubborn person
5 participating in this hearing, and I am prepared
6 to make serious concessions to some of the other
7 parties.

8 I listened to Ms. Mineau. I disagree
9 with a pretty big swath of what she believes is
10 the right way to use the Fund. But I'm willing
11 to make concessions to her perspective. Her
12 organization was an important signatory to the
13 Settlement Agreement, and, you know, their
14 desires and their judgments about how to spend
15 the money actually do mean something.

16 On the -- and the other thing I would
17 say about the process is, this is that rare
18 example of a matter that is here at the
19 Commission that I do not -- that I really do
20 think is a strawberry-flavored decision, in the
21 sense that it's not a rulemaking, it's not an
22 adjudication, it's not even sort of an
23 adjudication. It's totally informal.

24 So, there's nothing that says that

1 Chairwoman Martin and Commissioner Bailey can't
2 participate in the conversations. I would
3 welcome that.

4 Not to put Commissioner Bailey on the
5 spot, but she's been involved in utility
6 regulation for way longer than I have. And she
7 has a lot of insight that might be useful to
8 everybody else as we try to figure out what to
9 do.

10 Chairwoman Martin, as formally among
11 the highest ranking people at the Attorney
12 General's Office, she knows a lot about how the
13 world works. You know, we're talking about the
14 lending industry and how it works, and why it
15 isn't stepping forward. Well, she probably knows
16 some stuff about that.

17 So, the Commissioners themselves should
18 consider participating in any informal
19 discussions that happen.

20 On the merits, I think that the OCA's
21 position is pretty close to the one that Mr.
22 Krakoff just articulated on behalf of the
23 Conservation Law Foundation. In fact, my only
24 quibble with the position that he articulated has

1 to do with using on-bill financing to fund energy
2 efficiency initiatives.

3 I actually would go a little farther
4 than I understand him to have gone. He said
5 "well, the fund should" -- "on-bill financing
6 should be available to energy efficiency projects
7 that aren't receiving benefits from NHSaves." I
8 actually would allow that kind of double-dipping,
9 on the theory that there are some projects that
10 wouldn't happen, unless there were available
11 rebates and technical assistance from NHSaves,
12 and some on-bill financing. If the result of
13 that is that some people get to become more
14 energy-efficient on a cost-free basis, I think
15 that's good public policy. And that is one of
16 the things that the Fund could plausibly pay for.

17 I have to say I get a little irritated
18 when I hear Eversource talk about the possibility
19 of incurring expenses to facilitate on-bill
20 financing. You know, I think it's important for
21 us all to keep in mind the underlying reality
22 here, which is this: Public Service Company of
23 New Hampshire wasted \$425 million on a scrubber
24 that should never have been built. Nevertheless,

1 the Company is recovering almost all of that, 400
2 million bucks of that from customers. And, in
3 those circumstances, I think Eversource should
4 eat the cost of implementing on-bill financing,
5 to the extent that's necessary because of the way
6 the Clean Energy Fund might be spent.

7 The other thing I want to stress, with
8 respect to what Mr. Krakoff said, is that I agree
9 with him that the Clean Energy Fund should not
10 backfill the Renewable Energy Fund. That was
11 not -- certainly was not what the Office of the
12 Consumer Advocate intended when it signed the
13 2015 Settlement Agreement, and I don't think that
14 is an appropriate use of the funds here.

15 With respect to -- I think this is the
16 last thing I want to say. I don't reject out of
17 hand the observation from Ms. Mineau that there
18 simply isn't the demand for the kind of financing
19 opportunities that the proposed use of the Clean
20 Energy Fund would facilitate. But I do worry
21 that that becomes something of a self-fulfilling
22 prophecy. And, frankly, I fault the state's
23 lending community for not coming forward and
24 making innovative energy-related financing

1 products available to the public.

2 I happen to know that energy-related
3 lending is a very successful endeavor in Vermont,
4 where there is a lively and active partnership
5 between Efficiency Vermont and the Vermont State
6 Employees Credit Union. The Vermont State
7 Employees Credit Union is a lender that is
8 philosophically committed to deploying its
9 available capital to pursue energy efficiency and
10 renewable energy. So, it does that.

11 Here, in New Hampshire, the
12 counterparts to the Vermont State Employees
13 Credit Union, in particular, the one that was
14 founded to serve utility employees and should
15 know better, is running around encouraging people
16 to borrow money for ATVs, and cars, and Jet Skis,
17 and those things that people ride around on the
18 snow in the wintertime on that use up a lot of
19 fossil fuels, that is not good public policy.
20 And we need to challenge the state's lending
21 community, particularly the credit unions, which
22 are owned by their customers, to do something
23 about this.

24 I'm prepared to deliver those harangues

1 to the appropriate executives of credit unions
2 and banks around the state.

3 So, I think that's all I have to say.

4 CHAIRWOMAN MARTIN: Okay. Thank you.
5 Commissioner Bailey, do you have questions?

6 CMSR. BAILEY: Yes. Thank you.

7 Mr. Kreis, where in the 2015 Settlement
8 Agreement, does it say that "this process would
9 conclude by agreement of all parties."

10 MR. KREIS: It doesn't say that. It's,
11 and as other people have suggested to you, the
12 language in the Settlement Agreement is pretty
13 lean about process. It just says that the OSI
14 and the Commission will work collaboratively with
15 the signatories to the Settlement Agreement on a
16 plan for deploying the fund.

17 And, you know, there are a number of
18 colorable interpretations of that language. And
19 I'm prepared to defer to however the PUC -- or,
20 however the Commission wants to interpret that
21 language. I'm just telling you what I think it
22 means.

23 I, personally, didn't participate in
24 the negotiations, as you know. So, I can't give

1 you any insight from the negotiating room.

2 CMSR. BAILEY: So, the words say
3 "Details regarding the Clean Energy Fund will be
4 established via a collaborative process overseen
5 by Commission Staff and OSI."

6 MR. KREIS: Yes. That's the language
7 I'm talking about.

8 CMSR. BAILEY: And do you expect that
9 that -- that every party to the Settlement
10 Agreement would have to participate in that
11 collaborative process? Like, has IBEW been
12 involved in these discussions, or TransCanada?
13 And, if they choose not to participate, do we
14 have to have their agreement in order to approve
15 something?

16 MR. KREIS: I think the answer to that
17 question is that there are certain signatories,
18 like the ones you just mentioned, that just
19 aren't interested. And I think that you could
20 safely assume that, because they're not
21 interested, their assent isn't necessary. A
22 belt-and-suspenders approach would involve
23 checking with them to make sure that's true.

24 CMSR. BAILEY: Okay. Thank you.

1 That's all I have.

2 CHAIRWOMAN MARTIN: Mr. Kreis, you
3 answered my larger question that I've asked
4 everyone so far. But I am interested to hear
5 from you how you think additional collaboration
6 would change the outcome at this point? It
7 sounds like there's been substantial time put
8 into this, and effort, and how that would change?

9 MR. KREIS: I guess I would
10 respectfully disagree with the premise. And I am
11 probably as at fault as anybody. There has been
12 a lot going on in the world of utility regulation
13 since the divestiture of Public Service Company's
14 generation assets in, you know, that that process
15 was completed in August of 2018. And I would say
16 that efforts to forge a consensus about what to
17 do about the Clean Energy Fund have been
18 sporadic, intermittent, and not terribly intense.

19 So, I think that firing off a depth
20 charge beneath the parties that care about this
21 subject would probably -- would probably change
22 the outcome and drive the Parties to agreement.
23 It's just a theory.

24 As I said before, I, personally, am

1 willing to concede a lot of ground in the
2 interest of putting this money to work.

3 CHAIRWOMAN MARTIN: Okay. Thank you.
4 Ms. Ross.

5 MS. ROSS: Thank you, Commissioner
6 Martin, and good morning, Commissioner Bailey.

7 I think, Commissioners, listening to
8 the parties probably gives you a good sense of
9 the process that we participated in, which
10 involves a lot of parties with very different
11 ideas about what makes sense for the Fund.

12 What Staff was guided by were the --
13 was the language of the Settlement Agreement
14 itself, and the four points that the Commission
15 actually raised for parties to address today.
16 And those were whether it "supports innovation in
17 achieving clean energy benefits"; whether it
18 "leverages sources of funds including attracting
19 private capital to fund programs"; whether it
20 "expands access to clean energy across customer
21 classes in a cost-effective way"; and, finally,
22 whether it "avoids undue administrative costs."

23 So, I think what is safe to say is that
24 Staff believes that the proposal that ultimately

1 Staff and the OSI put in front of the Commission,
2 that we're commenting on today, met those
3 criteria. That certainly is a matter of degree.

4 Staff is, at this point, Staff and OSI
5 are both comfortable with changing allocations
6 among the programs that we've suggested. And, if
7 that would, partly in response to the COVID-19
8 crisis and just changes in the economic outlook
9 in the country, which may drive less money put
10 into loans. You know, it's hard to know right
11 now how that's going to affect the different
12 tools.

13 But, given the fact that we're flexible
14 about that, I think our understanding of the
15 collaborative process was that, if we failed to
16 get everyone who had come to the table signing a
17 document that was an agreement by all, that we
18 would leave it to the Commission to take our
19 proposal and other competing recommendations, and
20 weigh them against the factors that are required
21 for the Fund, and decide among yourselves whether
22 the allocations we put forward should be
23 adjusted, or whether other tools should be added
24 to the proposal that aren't there now.

1 CHAIRWOMAN MARTIN: Okay. Commissioner
2 Bailey.

3 CMSR. BAILEY: Thank you.

4 Ms. Ross, do you think that there are
5 other ways that different proposals could meet
6 the criteria in the Settlement Agreement? I
7 mean, could other proposals meet the criteria?

8 MS. ROSS: I'm sure they could. I
9 think it would be a matter of the group, you
10 know, each would have to be weighed to make that
11 determination.

12 CMSR. BAILEY: Do you think that it
13 would be worth --

14 CHAIRWOMAN MARTIN: Commissioner,
15 sorry.

16 *[Court reporter interruption due to*
17 *audio issues.]*

18 MS. ROSS: All right. I believe that
19 other proposals could meet the four criteria set
20 out in the order -- I'm sorry, in the Settlement
21 Agreement.

22 CMSR. BAILEY: Do you think it would be
23 worth a technical session, after today, to try to
24 work with the Parties to come up with a

1 resolution that everybody can support and that
2 meet the criteria?

3 MS. ROSS: Staff is happy to
4 participate in that process, as we have done, and
5 I'm sure OSI would agree. They aren't available,
6 because they had other travel plans made and
7 couldn't attend the hearing. But they did
8 authorize us to speak on their behalf.

9 CMSR. BAILEY: Okay. Thank you.

10 CHAIRWOMAN MARTIN: And thank you. You
11 asked and answered all my questions. So, I don't
12 have any other questions for you.

13 And, Mr. Maslansky, I think you are
14 last.

15 MR. MASLANSKY: Good morning. And
16 thank you, Chairwoman Martin.

17 In light of all of the earlier
18 comments, I will probably not mention a few
19 specifics. I want to echo what Mr. Kreis said
20 about the collaborative process. You know, my
21 personal view, and the view of, you know, CDFR,
22 is that the process was actually, you know, going
23 fairly smoothly. There wasn't a lot of
24 contentiousness there.

1 But the difficulty was that it was
2 sporadic, and it, in my mind, it wasn't really
3 finished. There were a lot of comments made at
4 the last stakeholder group meeting, which then
5 were converted into the Amended Recommendations.
6 And my impression was that, following that, we
7 would continue the collaborative process to
8 discuss, you know, those Amended Recommendations.
9 So, I was a bit surprised when this kind of ended
10 up in the hearing format, because I thought we
11 had actually been getting fairly close to
12 agreement in our collaborative group.

13 I do think there were some changes
14 along the way. I do note that my recollection
15 of, you know, Clean Energy New Hampshire's
16 initial involvement, responses were in support of
17 a portion of the funds being used for financing,
18 as I recall, and that might have changed because
19 of changes in the Renewable Energy Fund. I'm not
20 really sure. I'll let Ms. Mineau speak to that.

21 But I do believe that, in general, most
22 of the Parties were, you know, had some agreement
23 over the basic general allocations. So, I do
24 think that having that process continue in some

1 way, whether a technical session, would be
2 extremely helpful.

3 You know, I will mention that, and I'm
4 cutting through some of my original comments
5 because of what others have stated, you know,
6 CDFA generally supports the Amended
7 Recommendations. We recognize they align with
8 the criteria outlined in the 2015 Settlement
9 Agreement. The four primary areas for
10 allocation: The residential on-bill; the
11 commercial incentives for solar and storage
12 projects; and then the credit enhancements to
13 leverage investment in the residential and the
14 commercial sectors. I believe they were an
15 appropriate response to the stakeholder feedback
16 from early 2020. However, some significant
17 questions still remain, you know, unresolved, and
18 that's why we should be, you know, discussing
19 this further.

20 Regarding the Settlement Agreement's
21 objective to leverage various sources of funds,
22 including attracting private capital to the Fund
23 and to programs supported by the Fund, CDFA
24 believes that the Commercial & Industrial Sector

1 allocations for the loan loss reserve and
2 interest rate buy-downs will attract private
3 capital to the Fund.

4 In CDFA's current flexible revolving
5 loan fund for energy efficiency and renewable
6 energy projects, we have annually seen demand
7 exceed our available funds, prompting our search
8 for additional investment. We have met with
9 several investors that have expressed interest in
10 participating in a fund dedicated to clean
11 energy. All have indicated that a loan loss
12 reserve would reduce their risk, increasing their
13 likelihood for investment, and opening an
14 opportunity for improved investment terms with
15 them.

16 Given their cost of capital, they also
17 indicated that the availability of funds to buy
18 down the borrower rate, the interest rate
19 buy-down, would enhance the viability of the
20 revolving loan fund. And, again, I'm speaking
21 specifically on the commercial/industrial side
22 here.

23 Some concerns in this sector are --
24 relate to the allocated interest rate buy-down of

1 \$375,000. This really is insufficient to support
2 the allocated loan loss reserve of 1.475 million.
3 In general, for the loan loss reserve to be
4 effective, it needs to leverage a pool of funds
5 that can be offered to borrowers at a reasonable
6 rate. It doesn't matter if you're leveraging a
7 large pool of funds, if you can't spur much
8 lending activity because rates are not
9 attractive.

10 In this case, if we assume a 15 percent
11 loan loss coverage -- loan loss reserve coverage,
12 and the 1.475 million loan loss reserve leverages
13 a lending pool of 9.8 million, then a little over
14 1.1 million in interest rate buy-down would be
15 needed to provide for the 200 basis point rate
16 reduction suggested in the Amended
17 Recommendations.

18 Now, these are all very specific
19 details at this point. And, if we're going to
20 meeting again to discuss these ratios, then, you
21 know, this is kind of a moot point for now. But
22 I did also want to note that, you know, the point
23 about the expectation of 4 percent return for an
24 investor, that these -- this may not be

1 realistic. We have been hearing between 4 and 5
2 percent from impact investors, which are
3 typically a lower return expectation than the
4 standard market. And that target buy-down to 2
5 percent may not be realistic. Again, these are
6 details that could be worked out, you know,
7 further.

8 CDFA recommends that the interest rate
9 buy-down amount is significantly increased or
10 that there's an RFP for the C&I loan loss reserve
11 and interest rate buy-down that allows
12 respondents to provide their own recommendations
13 and assumptions on the ratio of loan loss reserve
14 to interest rate buy-down.

15 Another area of concern in this sector,
16 in the commercial/industrial, is the exclusion of
17 energy efficiency measures, which has been
18 mentioned previously. You know, a key component
19 of creating a significant pool with accessible
20 clean energy financing in New Hampshire is
21 flexibility. All of us, you know, for, you know,
22 efficiency, renewables, we typically advocate for
23 the importance of residents, businesses,
24 organizations, and municipalities to look

1 comprehensively at their efficiency and renewable
2 energy opportunities. And yet, so many of our
3 programs in the state, incentives, financing,
4 have significant eligibility limitations. And
5 especially in lending, we should avoid setting up
6 obstacles for entities seeking to complete
7 comprehensive energy projects by limiting
8 borrowing for solar to one pool of funds and
9 efficiency to another. This all just adds
10 complication and, therefore, costs for borrowers,
11 contractors, utilities, and lenders. So, again,
12 flexibility is the key that has been mentioned
13 earlier as well.

14 So, on the commercial side, I would
15 recommend that the loan loss reserve and interest
16 rate buy-down could be used for any renewable
17 energy and/or energy efficiency project. Again,
18 if the objective is to spur clean energy
19 projects, encourage comprehensive measures, and
20 to leverage private investment, we should work to
21 reduce the complications.

22 There are some other specific areas,
23 again, I would kind of save for later, if we
24 would meet to talk about the specifics again.

1 I did want to mention, on the
2 residential side, and echo some of the comments
3 made earlier. The CDFA would encourage another
4 look at the Residential Sector for the --
5 regarding the credit enhancement, the loan loss
6 reserve and the interest rate buy-down
7 allocations. We have commented before, and it
8 has been discussed in other responses, that the
9 value of the loan loss reserve to leverage better
10 terms in this sector is not clear. And we've had
11 experience with this during the Better Buildings
12 period in 2009 to 2013. The bank interest in
13 this loan loss reserve program was limited in
14 uptake from borrowers. It didn't really appear
15 to create any kind of transformation in the
16 marketplace for these loans. And we also found,
17 during our EERS Funding and Financing Committee,
18 there was some limited research into this, and
19 didn't find significant interest from banks in a
20 loan loss reserve mechanism.

21 Also, the loan cap of \$35,000 requires
22 clarification. It is important that
23 residentially metered multi-family properties
24 could take advantage of the Clean Energy Fund,

1 and not be limited by this maximum, you know,
2 CDFA is not able to participate in consumer
3 lending, but we would consider, you know, we
4 could consider involvement in a residentially
5 metered multi-family, that's owned by a company
6 or non-profit, we consider this a commercial
7 loan. So, there should be some clarification as
8 to whether this \$35,000 cap would be per
9 borrower, or if this would be, you know, as per
10 meter, so, in a multi-metered building, those
11 could be grouped together.

12 So, as far as a few recommendations for
13 the residential side and the credit enhancements,
14 we do support, you know, reducing the allocation
15 to this, you know, this particular allocation,
16 potentially moving a portion of the allocation to
17 add to the on-bill allocation, and allow for the
18 inclusion of energy efficiency measures. Also,
19 to create significant flexibility in an RFP for
20 this part of the allocation. So, respondents
21 could propose their own loan loss reserve
22 interest rate buy-down ratios, as well as
23 potential alternatives.

24 There might be some creative responses

1 to an RFP that would allow for use of this Fund
2 in such a way that, you know, the backstop
3 fund/loan loss reserves could be used to benefit
4 clean energy projects. And I have a few ideas on
5 that that we could take, you know, discuss
6 elsewhere. And then, expanding this loan cap or
7 tie the cap to -- tying the cap to individual
8 meters would be helpful.

9 My final comment is just regarding the
10 discussion about --

11 CMSR. BAILEY: Excuse me. Excuse me,
12 Mr. Maslansky.

13 MR. MASLANSKY: Sure.

14 CMSR. BAILEY: Oh. I just wanted to
15 make sure we didn't lose the Chairwoman. Sorry.

16 CHAIRWOMAN MARTIN: Not sure what
17 happened, but it came right back. So, thank you,
18 Commissioner.

19 MR. MASLANSKY: Okay. Just a final
20 point of clarification, too, is regarding
21 administrative fees, which were, you know,
22 discussed early in our collaborative discussions.
23 It was not really mentioned in this, in these
24 Amended Recommendations. So, it's not clear

1 where -- how these would fit into the picture.
2 So, I just feel like it's important to note that,
3 and that somehow how administrative fees fit into
4 the allocations should be clarified.

5 I appreciate your time and
6 consideration of my comments. Thank you.

7 CHAIRWOMAN MARTIN: Thank you.
8 Commissioner Bailey?

9 CMSR. BAILEY: Thank you. I have no
10 questions.

11 CHAIRWOMAN MARTIN: Okay. Mr. Wind,
12 did we have anyone else join in the interim?

13 MR. WIND: No, we did not.

14 CHAIRWOMAN MARTIN: Okay. Well, it
15 seems as though we've heard from everyone.

16 I know that both Commissioner Bailey
17 and I are incredibly grateful for the time and
18 thought that went into all of your comments.

19 Certainly, from my perspective, it
20 sounds like there may be additional conversations
21 to be had. I think we heard that from almost
22 every party. And, so, whether that happens
23 immediately after this, as Commissioner Bailey
24 suggested, or informally or formally, we will

1 certainly discuss it for our part, and take this
2 under advisement and get back to you all.

3 So, thank you very much. And we are
4 adjourned.

5 **(Whereupon the hearing was adjourned**
6 **at 11:03 a.m.)**

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