



National Association of State Energy Officials

July 1, 2022

National Association of State Energy Officials (NASEO)
David Terry, Executive Director
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RE: Title XVII Loan Guarantee Program RFI

Dear LPO Legal Department:

The National Association of State Energy Officials (NASEO) appreciates the opportunity to respond to the Request for Information (RFI) on DOE’s Loan Programs Office’s (LPO’s) Title XVII Innovative Technologies Loan Guarantee Program (Title XVII Loan Guarantee Program). NASEO is the only national non-profit association representing the governor-designated energy officials from each of the 56 States, Territories and the District of Columbia. NASEO’s Financing Committee convenes State Energy Offices to exchange knowledge and to track the impacts and lessons learned of State Energy Office-run or -supported clean energy financing programs, which provide over \$1 billion in capital across the country. In addition, State Energy Offices and their local partners leverage \$5 billion in energy efficiency retrofit financing for public facilities in partnership with the private sector. These programs span a wide variety of energy sectors, investment mechanisms, and program support structures to respond to the needs of borrowers and to support unique state energy, economic, and climate goals, often in partnership with private financial institutions.

NASEO applauds LPO for considering how best to leverage its loan offerings in coordination with state financing programs. State Energy Offices have an outstanding track record of developing and maintaining financing programs and leveraging private sector investment to spur increased consumer uptake of energy efficiency, renewable energy, and resiliency technologies. NASEO sees a great opportunity for LPO to coordinate and partner with these state programs. NASEO offers the following suggestions to LPO as it considers how to improve its Title XVII Loan Guarantee Program:

- 1. LPO should only consider state-chartered and State Energy office-designated institutions as eligible “state energy financing institutions” to partner for its loan product offerings.

NASEO considers “state energy financing institutions” to be those entities authorized or created pursuant to state law, the laws of the District of Columbia or the laws of

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the respective Territories, or programs established through state government administrative or programmatic actions. These are designed to serve a public purpose and produce a public good. States operate a number of these programs to provide gap financing in sectors of the economy where the private sector has limited ability or financial incentive to lend. As technologies mature and develop, and/or the private sector becomes more comfortable with lending for particular projects, these programs adjust their goals to focus on other up-and-coming technologies or economic sectors. As a result, these programs have strong track records for supporting emerging technologies and for lending to underserved communities. State Energy Offices play key roles in supporting these institutions, providing guidance and direction for how and where to target capital to make loans and support important sectors of a state's energy economy. With State Energy Office support, legislatively-established and state-designated state energy financing institutions serve the public interest in a way that private entities do not.

State energy financing institutions include programs operated by the State Energy Offices, other state agencies, or special state-established entities. Examples include the New York State Energy Research and Development Authority (NYSERDA), Alaska Energy Authority, Connecticut Green Bank, and Rhode Island Infrastructure Bank, as well as State Energy Office-operated programs such as Texas' LoanSTAR Revolving Loan Fund and Nebraska's Dollar and Energy Savings Loan Fund. In addition to state-operated programs, there are also state-designated mission-driven nonprofits such as the Florida Solar Energy Loan Fund or the Colorado Clean Energy Fund that serve as extensions of state energy financing operations. When working with these non-profit organizations, LPO should closely coordinate with relevant State Energy Offices to ensure maximum impact and consistency with state energy policy.

2. LPO should be flexible with the types of financing products offered by state energy financing institutions that qualify for its loan offerings.

The breadth of financing programs developed by the State Energy Offices is large, and these programs use various approaches to catalyze the market. The Texas LoanSTAR Revolving Loan Program offers direct financing to MUSH market building owners and also provides financing for public building owners wishing to utilize Energy Savings Performance Contracts (ESPCs) to make energy improvements. Nebraska's Dollar & Energy Saving Loans program utilizes a blended loan approach in partnership with local private lenders throughout the state. The program buys half of the loans made by each lender, which significantly lowers the interest rate to the customer while providing the private lenders a healthy ROI. Since its inception in 1990, the fund has supported over 30,000 loans totaling more than \$320 million. The Energy Office's share of these loans is \$153 million, which has leveraged more than twice that amount (over \$172 million) from partner lenders such as banks, credit unions, and savings and loan institutions. Since 1990, the program has had only \$68,000 in losses due to loan defaults. Virginia's Commonwealth Energy Fund works with a private partner to make loans to high growth potential early-stage Virginia companies capable of driving job creation, reducing energy consumption, increasing energy generation from renewable resources, and reducing greenhouse emissions. It finances portfolio companies using an optional convertible debt structure. The New York Green Jobs Green New York Program offers extremely low interest rates for energy efficiency projects, and offers special incentives, underwriting, and workforce development options for resource-constrained or lower-credit customers. The Alaska Energy Authority's Power Project Fund lends

capital to local utilities, governments, or independent power producers to develop, expand, or upgrade power facilities.

The programs listed above are successful examples of state energy financing programs and institutions that use different strategies to achieve unique state and local goals and, as such, would benefit from custom-tailored partnership structures with LPO as opposed to a “one size fits all” approach. For example, if a state energy financing institution offers or is considering offering a Loan Loss Reserve for a sector that private lenders deem particularly challenging to finance, LPO could offer an additional loss reserve for those projects, providing additional support from a secondary loss position. If a state opts to self-finance ESPC projects instead of using ESCO capital, LPO could provide the financing for the projects; this could be especially useful for financing fleet conversions through ESPCs. LPO could also pair federal funding with state funds for revolving loan funds through Section 40502 as part of the Infrastructure Investment and Jobs Act (IIJA) to further expand the reach of these programs.

3. LPO should regularly coordinate with the State Energy Offices on any potential nationwide financing program for state energy financing institutions.

LPO should take on a coordinating function alongside the State Energy Offices for any potential nationwide program for partnering with State energy financing institutions. It may be challenging for LPO to stand up a single national program with uniform terms and requirements due to the variety of state rules and regulations on financing, market conditions, and other differences. LPO should work with the State Energy Offices and their partners to:

- Ensure that any program is an “opt-in” program (i.e. not required) for states;
- Ensure that there is flexibility for states to pursue their unique goals and be able to comply with their individual market, regulatory, and policy landscapes;
- Undertake a multi-stakeholder engagement process to determine program design and implementation, with NASEO as a leading partner;
- Consider means to reduce transaction costs for smaller loan guarantees through aggregation or other options; and
- Pilot financing for energy load flexibility (e.g., “virtual power plants”) to support grid reliability and efficiency.

LPO assuming this sort of coordinating role alongside the State Energy Offices for a national financing program would dramatically leverage LPO’s reach and impact, and would accommodate state differences and market conditions, legislative rules, and other factors that may impact the use of LPO funds by state energy financing institutions. It would also give the state energy financing institutions more flexibility to adjust their goals and product offerings as conditions in their jurisdictions change over time while retaining access to LPO financial support. LPO should work with the State Energy Offices to design guidelines for such a program that are reasonable and flexible.

NASEO appreciates the chance to submit comments and is happy to provide follow-up information to any of the answers provided here. NASEO and the State Energy Offices are committed to working with LPO on innovative approaches and solutions, including a more comprehensive approach to working with local governments on financing. There could be additional synergies with the statutory

modification to the Energy Efficiency and Conservation Block Grant program that supports financing programs. We look forward to working with LPO in this important arena.

Thank you for your consideration.

Best regards,

A handwritten signature in black ink, appearing to read 'D. Terry', with a long, sweeping flourish extending to the right.

David Terry
Executive Director, NASEO