



January 25, 2022

Mark D. Marini, Secretary  
Department of Public Utilities  
One South Station  
Boston, MA 02110

[dpu.efiling@mass.gov](mailto:dpu.efiling@mass.gov)  
[katherine.e.stock@mass.gov](mailto:katherine.e.stock@mass.gov)

D.P.U. 20-75

Pope Energy Comment Letter – AGO Retention of Experts and Consultants – Request for Comments  
Submitted by Doug Pope, President

Dear Secretary Marini:

The AGO has filed for Retention of Experts and Consultants in conjunction with the filing by the Department of Order D.P.U. 20-75-B (2021) Distributed Energy Resource Planning and Cost Assignment for the funding of essential EPS upgrades to foster timely and cost-effective development of distributed generation (“DG”) driven by the legislature in St. 2021 c. 8, Next-Gen Roadmap for Climate Policy.

We have been concerned that the “traditional” way of developing and financing EPS infrastructure is being presented to the Department, DOER, AGO, EEA and legislators upon which decisions are being made to upgrade EPS infrastructure in a post St. 2021 c. 8 Next-Generation Roadmap environment that requires a 50% emissions reduction by 2030, 75% by 2040, and to be 85% net zero by 2050.

In our D.P.U. 20-75 Comment letters dated December 23, 2020, February 5, 2021, June 7, 2021 and May 28, 2021, we have raised the issue of matching the useful life of 30-50 year EPS assets with the financed term of those assets and financing those assets using tax-exempt debt issued through MassDevelopment.

The “traditional” business as usual, pre- St. 2021 c. 8 Next-Generation Roadmap condition, is to use the “**Shortest Expected Lifespan**”<sup>1</sup> of EPS equipment and finance those assets over 7-10 years<sup>2</sup>. (Also see National Grid, B-4, Page 16, C.)

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<sup>1</sup> Eversource System Planning Proposal, 4-23-2021, Financial Planning Horizon, Page 5 of pdf Page 89 Line 120

<sup>2</sup> Eversource, April 23, 2021, Non-Wires Alternative Framework, Version 2.0, Gerhard Walker, Attachment 2, Page 5 Lines 104-122



The “traditional” means of financing EPS upgrades by the EDCs, is through taxable 144 corporate debt bonds.

In all of our D.P.U. 20-75 comment letters, in direct discussions with MassDevelopment, in our phone inquiry to the AGO’s office, in our July 29, 2021 letter to Secretary and MassDevelopment Chairman Mike Kennealy, in our March 22, 2021 Comment Letter regarding the Interim 2030 CECP to EEA and in subsequent video conference calls with Under Secretary Chang and with representatives of Eversource and National Grid, we have tried to advance the concept of the lowest cost of financing, which in the long term will be tax-exempt debt. National Grid has responded that they have used tax-exempt financing in the past when the delta between tax-exempt and 144 bonds was greater. There are several scenarios that should be explored by the experts hired by the AGO in arriving at the lowest cost of financing for the ratepayer.

An example of tax-exempt financing: Salem, MA has a general obligation bond (secured by taxes) for 2.5% with a term to 2050, federal and state tax-exempt compliant, with call protection through 2030 priced at 2-points under par (\$980 on a \$1,000 bond).

Could the EDCs obtain 144 bond financing at 2.5% for 30 years?

Firstly, tax-exempt financing requires a “public good” component. Financing the transition to 85% net zero emission reductions should meet that requirement. Three scenarios for consideration:

1. To provide the Department and policy makers the best cost for the ratepayer, financing transmission and distributed generation improvements using tax-exempt financing over 30-50 years, matching the useful lifespan of the upgrade EPS assets should be explored. This will enable the energy storage, transportation and building sector powered by DG-connected renewables to achieve 85% net zero emission reductions.
2. The electrification of the building and transportation sectors, which are going to be the most difficult to transition to low emissions electrified investments, may benefit from a tax-exempt “facility.” Local banks would be both point organizations to advertise low-interest loans and conduits for funding projects. Once the homeowner, small business or condominium association has made the transition off fossil fuels and an approved building permit has been issued by the authority having jurisdiction, the bank would process the tax-exempt, low-interest loan with the “facility.” The bank would receive a service fee similar to its fees generated in the processing of residential mortgages that are laid off to the secondary mortgage market.

3. After all of the construction risk has been taken out of a commercial renewable energy, transportation, or building sector project and has reached commercial operations status, rolling the debt into a tax-exempt “facility” may lower cost to the ratepayer over 30 years. An example of this would be for a 5 MW solar project costing \$10 million dollars to be built under a traditional at-risk construction loan. Thirty days after the commercial operations date (COD), the final financing could be taken out by the Massachusetts tax-exempt facility, thereby lowering the cost to ratepayers within the existing and yet-to-be extended beyond 3,200 MW SMART program in the final 2030 CECP.

The St. 2021 c. 8, Next Generation Roadmap 2050 mandates are going to cost tens of billions of dollars over the next 30 years. While such investments will create their own economy<sup>3</sup>, tax-exempt financing should be viewed on a long-term, long-horizon basis.

Whether a “tax-exempt facility” can be held within MassDevelopment, DOER, the MassCEC, or take on the shape of an MWRA or MassPike-type facility, will need to be explored.

The experts hired by the AGO may need to be separate experts who bring the legal (with energy policy expertise), financial, and tax-counsel experience to find a structure that would work to bring the lowest financing cost to the ratepayer.

Best Regards,



Doug Pope  
President

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<sup>3</sup> Economic and Health Impacts Report, Page 5, A Technical Report of the Massachusetts 2050 Decarbonization Roadmap Study, December 2020.