

July 18, 2016

Senator Benjamin Downing  
Senator Marc Pacheco  
Senator Bruce Tarr

Representative Brian Dempsey  
Representative Thomas Golden  
Representative Bradley Jones

**RE: Conference of Senate 2400 and House 4385, An Act to Promote Energy Diversity**

Dear Conference Committee Members:

We write on behalf of the low-income households we represent. We are concerned about the potential adoption of a PACE (“Property Assessed Clean Energy”) program for residential customers. We urge you to not to authorize the creation of a residential PACE program (as opposed to commercial PACE<sup>1</sup>), as was included in H. 4385, Section 4.

**1. For low-income households, the types of energy efficiency measures that PACE would fund are provided for free; the household needs no financing, from PACE or any other source.** PACE therefore can only make energy efficiency much more expensive for customers: they would have to pay back any principal amount being financed as well as the applicable PACE interest rate. If residential PACE is adopted, it is still likely some low-income customers will be confused and opt for the PACE loans rather than getting the services for free.

**2. For non-low-income households, PACE loans make little sense because the existing HEAT loan program – which mostly relies on locally-based lending institutions<sup>2</sup> – offers its loans at 0% interest.** In stark contrast, analysis of PACE programs has shown that the interest rates are often higher than home equity rates prevailing in the same geographic area.<sup>3</sup>

**3. PACE has had limited success elsewhere, when compared to the scale of the HEAT loan program here.** Between 2011 and 2014, the HEAT loan program originated **\$60 million in loans annually, serving 7,000 borrowers annually.** This dwarfs any PACE program in the country of which we are aware. There is no need for a new residential loan program in Massachusetts.

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<sup>1</sup> We take no position on the creation of a commercial PACE program, and are only addressing residential PACE in this letter.

<sup>2</sup>For a list of the local lenders, see <http://www.masssave.com/~media/Files/Residential/Applications-and-Rebate-Forms/2015%20rebate%20forms/HEAT%20Loan%20Lender%20List%20672016.pdf>.

<sup>3</sup> See Prentiss Cox, *Keeping Pace?: The Case Against Property Assessed Clean Energy Financing Programs*, 83 U. Co. L. Rev. 83, 109 (2011) (“Compared to second lien loans contemporaneously available, these costs were higher than, or at best comparable to, private financing.”)

4. In addition, the PACE loan would be a property lien, potentially damaging property value<sup>4</sup> and introducing a risk of foreclosure -- betting the house for a few thousand dollars of energy efficiency measures. The bill includes few provisions for disclosures concerning such risks, or other consumer protections. In fact, there are no provisions for accountability regarding quality of the work being done, or for adequate oversight by DOER and/or DPU.

For these reasons, we urge the exclusion of residential PACE from any bill finally passed.

Sincerely,

Charles Harak, Esq.  
Managing Attorney  
NCLC Energy Unit  
On behalf of our low-income clients

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<sup>4</sup> See footnote 3, pp. 96 – 99.