

ILLINOIS FINANCE AUTHORITY

Energy Efficiency Initiative

Program Guidelines
April 13, 2010

Adopted by Resolution of the Board of the Illinois Finance Authority at the 11:30 a.m. Board Meeting on April 13, 2010.

Members present and voting for: William A. Brandt, Jr., Chairman, Michael W. Goetz, Vice Chairman, Terrence M. O'Brien, Dr. William J. Barclay, John "Jack" Durburg, James J. Fuentes, Roger Poole and Joseph McInerney

Members present and voting against: None.

Members absent: Ronald E. DeNard, Juan B. Rivera, Roderick Bashir, Dr. Roger D. Herrin, Edward H. Leonard, Sr. and Bradley A. Zeller

FINANCIAL ASSISTANCE FOR ENERGY EFFICIENCY PROJECTS

EXECUTIVE SUMMARY

- I. ELIGIBLE PROJECTS
- II. RISK ASSET ACCEPTANCE CRITERIA
- III. PROJECT APPROVAL PROCESS AND REQUIREMENTS
- IV. ASSET GUARANTEE AND APPLICATION PRICING
- V. PORTFOLIO MANAGEMENT, TRANSACTION MONITORING, AND REPORTING REQUIREMENTS



EXECUTIVE SUMMARY

Pursuant to Public Act 96-103 (20 ILCS 3501/825-65; 20 ILCS 3501/825-70; 20 ILCS 3501/825-75), the IFA is authorized to provide up to \$3 billion in “Additional Security” (moral obligation) loan guarantees or bonds to help facilitate the development of Clean Coal, Coal and Renewable Energy projects in Illinois. In November, 2009, this authorization was expanded pursuant to Public Act 96—0817 (20 ILCS 605/605-1) to provide this “Additional Security” (moral obligation) support for energy efficiency (“EE”) projects throughout the State of Illinois.

Eligible EE projects would include components of **new construction projects**, as well as the **retrofit of existing structures**, which result in **quantifiable and verifiable reductions in energy usage**. These Program Guidelines will be applicable to the commercial, industrial, municipal and other not for profit sectors. Future Program Guidelines and financing structures will be developed specifically for the residential sector (multifamily and single family).

Although reducing default risk is a priority of all IFA financings, risk management is especially important for transactions employing Illinois “Additional Security” (moral obligation) or Illinois State Guarantee assistance. To appropriately manage the default risk, the IFA plans to engage in a rigorous review of all proposed EE projects, together with a rigorous review of the sponsoring organization’s business and finance plans before approving and issuing such guarantees. EE projects that will not require an allocation of this “Additional Security” (moral obligation) support, but will instead be financed through the IFA solely on a conduit basis, will follow the IFA’s established protocols for conduit issuance reviews.

This document details the credit underwriting criteria, due diligence standards and credit origination and risk management process the IFA staff will follow to manage this “Additional Security” (moral obligation) program, as applied to the EE sector.

Specifically, the document memorializes the board approval for the following items -

- i. Eligible Projects;
- ii. Risk Asset Acceptance Criteria;
- iii. Project Approval Process and Requirements;
- iv. Asset guarantee and application pricing; and
- v. Portfolio management, transaction monitoring and reporting requirements.

I. ELIGIBLE PROJECTS

SB 390, the legislation that authorized the inclusion of EE projects within the scope of this “Additional Security” (moral obligation) support, defines an EE Project as follows:

Energy Efficiency Project means measures that reduce the amount of electricity or natural gas required to achieve a given end use, consistent with Section 1-10 of the Illinois Power Agency Act.

A final determination of whether a project will qualify for this program will generally need to be made on a case by case basis, with IFA consultation with an independent engineer. However, based upon the definition provided in this legislation, a sample of projects that will likely be eligible to access this “Additional Security” (moral obligation) support is provided below. As mentioned above, projects can qualify for this credit support for both new construction and retrofit projects of existing structures.

It is important to note that before any allocation is made of this “Additional Security” (moral obligation) support for any project, each borrower will be required to certify that they have received or applied for all other financial incentives available to them, including grants and tax credits, for the use of this EE item or project, from any source whatsoever, including: Federal, State, utility or other such financial incentive providers, prior to or in conjunction with applying to the IFA for this credit enhancement. All project cost analyses submitted to IFA for financing consideration must reference the status and incorporation of all available financial incentives from any of the above referenced sources.

A sample of the types of EE projects that would likely qualify for financing within this program would include the following:

- Energy efficient lighting, including compact fluorescent light bulbs (“CFLs”)
- Insulation for foundation, sidewalls and roof
- Energy efficient windows
- High efficiency furnace or central-air units
- Programmable thermostats
- High efficiency appliances
- High efficiency water heaters
- Air storage/dryers
- Efficient compressors
- Energy Management Systems
- Energy efficient HVAC equipment with variable speed drives, motors and sensors
- Efficient boilers and refrigeration equipment
- Chilled water pumping systems
- Occupancy sensors to control lights and room temperatures
- Energy efficient LED fixtures and exit signs

As discussed further below, as part of any application for this program, each borrower will be required to provide a detailed quantification of the energy savings, certified by an independent engineer acceptable to the IFA, which quantifies the energy savings from each item the State is asked to provide credit support to finance. This independent engineering certification supplied by the Borrower to the IFA will be reviewed by the IFA’s Independent Engineering Consultant, as appropriate, and as described further below.

IFA has set a minimum borrowing size of \$200,000 for participation in this specific funding program at this time, given the costs for outside consultants associated with the review of these projects. This minimum size is subject to change in the future.

Other types of projects that may qualify as EE projects would include: small wind projects, solar projects, and geothermal projects that may not fit other IFA renewable energy generation financing structures. Further clarifications of eligible projects may also be made once the US DOE receives legislative approval to provide their loan guarantees for EE Projects and the DOE publishes its EE project eligibility criteria.

II. RISK ASSET ACCEPTANCE CRITERIA (RAAC)

The general EE Project RAAC is outlined below for transactions to qualify for credit support through an “Additional Security” (moral obligation) guarantee or bond. As appropriate, the IFA will develop specific credit criteria for individual EE market segments that will supersede the general EE Project RAAC. As mentioned previously, this general EE Project RAAC will be applicable for new construction and the retrofit of existing structures for all market sectors, including: commercial, industrial, municipal



and other not-for-profit owned structures, but excluding the residential sector (multifamily and single family) for which separate Program Guidelines will be developed in the future.

Part of these guidelines focus on guaranteeing the savings stream on energy efficiency projects. This is important, as the State of Illinois is backing these borrowings with a moral obligation pledge, which puts State funds at risk.

Some of the larger Energy Service Providers may guarantee estimated energy savings to the borrowers through some form of acceptable security. Guarantees that are found acceptable to the IFA from a credit and structuring perspective will then be pledged by the borrowers to the IFA and their cost will be included in the total project cost. From the State's perspective, this may be acceptable as it reduces the risk to the State.

An alternative structure would be for the projected savings to be guaranteed by a "warranty" provided by an insurance policy. In this warranty model, the insurance companies will insure projects that use qualified contractors, have estimated payback terms of seven years or less and that will use periodic audits to reconcile actual savings to estimated savings. The warranty policies will be owned by the borrowers and their cost will be included in the total project cost. These policies will be pledged to the IFA. From IFA's perspective, these policies also reduce the State's financial exposure by providing a mechanism that ensures available cash flow to repay borrowings which may be less expensive from a cost structure perspective than the guarantee model.

GENERAL EE PROJECT RAAC

Comply with Act 096-0817	The project fully complies with all legal requirements included in the \$3.0 billion in bond or debt guarantee program.
Borrower:	Standard background and due diligence checks, acceptable to the IFA for each Borrower. Extensive credit review of Borrower's business and finance plans, as appropriate. No start up or venture capital risk is provided credit support at this time.
Term	This financing program will require full repayment on EE related debt within a term of 7 years. Financings that require a payback term beyond 7 years due to specific technology enhancements being utilized will be reviewed by IFA on a transaction-by-transaction basis.
Structure	This moral obligation support can be used to support taxable or tax-exempt financing, for either private sector loans provided to the Borrower or bonds issued by the IFA on behalf of the Borrower.
Funding Source	IFA must qualify and approve any Lenders participating in this program.
Technology Risk:	For commercially available technology - proven technology, in use in the general market, with <u>quantifiable and verifiable</u> energy savings resulting from the use of the technology. For innovative technology, smaller scale project testing and IET review and approval of the technology is required. Independent engineering studies and/or other third party support for feasibility are required.

Predictable source of debt repayment:	<u>Quantifiable and verifiable</u> energy cost savings generated to the Borrower from the use of the EE products will be required to participate in this program. These energy savings may be the source of funds used to repay the debt within the estimated useful life of the EE products, or the source may be from other revenue pledges from the Borrower acceptable to the IFA. No refinancing risk will be accepted at this time.
Cash Equity Requirement:	Up to 100% financing may be available, <u>net</u> of any cash grants/tax rebates that may be available from any source including: Federal, State, utilities or any other grant provider.
Debt Service Coverage Requirement:	Minimum 1.05x for each year of the forecast period. Debt service is defined as (verifiable energy savings or other revenue stream acceptable to the IFA) / (principal and interest for this energy efficiency project). In addition, IFA will require a minimum 1.05X DSCR for <u>all</u> borrower debt.
Third Party Guarantor of Savings:	Applicants seeking IFA funds will be required to provide a guarantee of projected energy savings. The guarantee can be in the form of acceptable security provided by an Energy Service Provider or a warranty insurance product, either of which insures adequate revenues to repay IFA borrowings according to the borrowing terms.
Acceptable project due diligence:	Due diligence to include, but not be limited to, the following: <ol style="list-style-type: none"> 1. Engineering studies or reports, if necessary, reviewed and acceptable to the Illinois Energy Team (“IET”), and/or the IFA’s Independent Engineering Consultant, as appropriate. 2. Sponsor’s business model and payback estimates reviewed and verified by a third party financial advisor or accounting firm, acceptable to the IFA 3. Any other due diligence deemed appropriate by IET and/or IFA.
Additional Security	Second mortgage on building, or other acceptable additional security, may be required.
Legal documentation:	Standard legal documentation, prepared or reviewed by approved IFA counsel, to include security interest acceptable to the IFA.
Acceptable Contractors and other Participants	IFA will use the criteria provide in <u>Appendix B</u> and an RFP process to pre-qualify contractors and Energy Service Provider’s for EE Projects within specific regions of the State of Illinois. An RFP process will also be used to procure the services of an Independent Engineer, underwriters and attorneys for this financing program.

Mitigating factors for the aforementioned credit criteria include personal guarantees with identifiable unencumbered assets, secondary sources of repayment or acceptable third party corporate guarantee, and other factors will be considered, all subject to final board approval.

No modifications of the RAAC are permitted without subsequent IFA board approval.



III. STAFF AND BOARD APPROVAL PROCESS:

There will be six major phases to this transaction review process:

Phase I – Initial Discussion with Applicants

A prospective applicant must provide to the IFA general project information, such as background on the Borrower and developer, the technology, details of the specific project and its EE component, overall financial projections for the project and energy savings directly related to the EE component of the project – confirmed by an independent engineer, as well as the estimated payback timeline. All transactions will be reviewed extensively for project economics, project readiness, regulatory process, capitalization, technology feasibility and the project team qualifications, to meet the initial hurdles for consideration. Projects that meet the minimum qualifications outlined above will be allowed to proceed through the credit process. If a project does not meet the minimum criteria established above, IFA staff will, to the extent reasonable, inform the applicant what steps they must take in order to continue discussions with the IFA for the financing of their project. Applicants will have the ability to resubmit their applications once deficiencies are cured.

Phase II - Approval to proceed (green light) from IFA Credit Review Committee and/or IFA Energy Credit Committee

If a project does meet the minimum requirements outlined above, a short summary of the project will be presented to the general IFA Credit Review Committee to seek their approval to proceed. In some instances the assistance of the IFA Energy Credit Committee (“ECC”) will also be required. The ECC will be composed of members of the Board Energy Committee, representatives from IL EPA, representatives from GOMB and representatives from DCEO. Once a project receives an approval to proceed, the developer will be permitted to apply to the IFA for bond and/or loan guarantees. The ECC may recommend that a project seek preliminary approval from the Board Energy Committee or even the full IFA Board. In addition, the ECC may recommend that a member of the IET complete a full technical and/or environmental review of the project.

If an applicant is notified that the project will not be subject to further consideration in the review process at this time, IFA will, to the extent reasonable, provide the developer the basis of this decision and suggested actions the Applicant can take to cure the deficiencies. Any Applicant whose proposal is denied further review at this stage will not be barred from re-submitting an updated or revised project proposal. Information and review status on projects being reviewed by IFA will be provided to both GOMB and the IFA Board on an on-going basis.

Phase III – Application by Applicants

Once a project receives the green light from the ECC, the applicant will be invited to submit a formal application to the IFA. This application should be signed by the Applicant and be accompanied by an application fee. Please refer to Appendix C for required application fees.

This EE Project application must contain, at a minimum, the following items:

- (i) The plan for the overall project, including: (1) an overview of the proposed project, (2) a description of the applicable technology and its generally accepted life cycle, (3) the



- estimated total project costs (including escalation and contingencies), (4) the timetable for construction and commencement of operation, (5) proposed location of the project, (6) identity and experience of the contractor, (7) identity and experience of the operator of the project, (8) a detailed description of the EE aspect of the project, with the EE statistics confirmed by an independent engineer and (8) details on any third party guarantor of the energy savings to be generated by the EE Project.
- (ii) Copies of any Feasibility Studies completed.
 - (iii) a description of the Applicant, including (1) financial ability to undertake and support the project and (2) its experience in project investment, development, construction, operation and maintenance;
 - (iv) a financing plan, describing (1) the equity to be invested and the timing and sources of such equity contributions, (2) all other financial assistance that the EE project could qualify for and the status of each such applications, (3) the amount of the total debt obligations to be incurred and the funding sources of all such debt, (4) the amount and source of any debt or performance guarantees and (5) a financial model detailing the investments and cash flows generated from the project over the term of the proposed financing and projections for a minimum of three years beyond the scheduled debt repayment date;
 - (v) a detailed term sheet, setting forth the proposed terms and conditions of any bonds to be issued by the IFA or loans to be guaranteed through the State Moral Obligation;
 - (vi) a description of how the project will comply with the requirements of a Clean Coal, Coal, Renewable Energy and EE Project, as described in the Authorizing Statute;
 - (vii) an outline of the potential environmental impacts of the project and how these impacts will be mitigated, including any environmental studies completed to date, and any discussions with the US EPA or State of Illinois EPA, if applicable;
 - (viii) identification of any and all government or utility assistance (e.g., financial assistance, tax credits, other loan guarantees) not provided for in item (iv) above, from whatever source (federal, State, any other state, local, or foreign or utility) which has been obtained or applied for, or expected to be obtained or applied for, to support financing, acquisition, construction, or operation of the project;
 - (ix) an executive summary briefly stating the key project features and attributes, and its economic market analysis
 - (x) copies of any engineering studies completed to date.
 - (xi) Description of all permits and authorizations required and their status, including zoning, environmental etc.

A Funding Manager will review this application and maintain contact with the Applicant throughout this process. Applications that are deemed complete and acceptable from a risk asset perspective will be allowed to move to the next phase of this review process.

Phase IV - Approval of Inducement Resolution and Conditional Approval Letter by Board Energy Committee, IFA Board and GOMB

After consultation with and approval from the Board Energy Committee, a formal submission to the IFA Board and GOMB will be made to approve an inducement resolution for projects that are deemed suitable to participate in this program and a Conditional Approval Letter for the proposed support from the State. No term sheet or conditional approvals will be issued on any project prior to the approval by the IFA Board and GOMB.

If the IFA determines that a project is suitable and appropriate for bond financing or loan guarantees through the IFA, the IFA will notify the Applicant in writing and will provide the Applicant with a Conditional Approval Letter that may contain conditions precedent that must be met prior to closing.

If the IFA determines not to proceed further with an Application for a project, the IFA will inform the Applicant in writing of its denial, and the basis for such denial, permitting the Applicant to correct such deficiencies and reapply.

Upon IFA's receipt back of the acceptance by the applicant of the terms and conditions of the IFA's Conditional Approval Letter, documentation will be commenced based upon the Conditional Approval Letter approved by the Board. Any material changes to these terms and conditions will be discussed thoroughly with the Energy Committee and if appropriate, the IFA Board. The IFA will issue bonds or loan guarantees for Applicant's project if and only if all funding and other contractual, statutory and regulatory requirements, or any other condition precedent, have been satisfied, which will include such issues as the zoning, environmental and other permitting requirements for the project. The Applicant will be required to provide to the IFA on a timely basis any and all updated information in the event of any changes to the terms of the project financing or the project prior to the issuance of the bonds, which will be discussed with the IFA Board, as appropriate.

Phase V - Board Approval of Final Resolution (with any changes from Conditional Approval Letter)

Once an Applicant has successfully completed the prior phases, and is moving to the closing of the financing, a submission will be made to the IFA Board to request approval of the Final Resolution, which will also incorporate any changes to the original Conditional Approval Letter approved by the Board.

Prior to the closing date, the Authority will confirm that the documentation for the project contains all terms and conditions agreed to by the Authority and the Applicant in the Conditional Approval Letter, or as otherwise represented by the Applicant to the Authority in the Application. Any issuance of bonds or loan guarantees by the Authority will be subject to compliance with the limitations on financing contained in the Authorizing Statute, and will be subject to the approval of the Final Resolution by the IFA Board. The IFA Board will delegate authority to the Executive Director or the General Counsel to determine if all conditions precedent have been met prior to closing.

Phase VI - Closing

Subsequent to the approval by the IFA Board of the Final Resolution, and the meeting of all conditions precedent required for this transaction to close, the contemplated financing can be closed.

IV. Asset Guarantee and Application Pricing

APPLICATION FEES

Each Application shall be accompanied by an application fee. Please refer to Appendix C for costs of application fees. These funds will be used to pay the out-of-pocket costs incurred by the IFA. In addition, IFA reserves the right to request additional fees as the project review process continues, as necessary. If the IFA determines that additional fees will be necessary after the application is processed by the IFA, then the IFA will notify the Applicant of an estimate of the additional costs and the reason for these fees. The Applicant will then have the ability to choose to proceed or not proceed with this application at that time. If there are any funds remaining from the application fee or if the IFA chooses not to proceed with the project, any excess funds may be returned to the applicant.

CLOSING FEES: Please refer to Appendix C.

ONGOING CREDIT ENHANCEMENT FEES: Please refer to Appendix C.

OTHER FEES

In addition, fees may be assessed for the use of volume cap. The IFA's fees for bond issuance will be provided at the time of the Application.

The IFA may assess other administrative charges relating to the IFA's subsequent monitoring and servicing of the project and the bond issue.

V. Portfolio Management, Project Monitoring and Reporting Requirements

Portfolio Management

IFA staff will monitor the portfolio of loans within the energy sector on a continuing basis. It will be important to track transactions for compliance with the limitations contained in the authorizing legislation, as well as for the credit quality of the projects being financed. The energy group will report to the Energy Committee and the IFA Board on the quality of the portfolio on a quarterly basis.

Project Monitoring

Regular monitoring of all projects supported by IFA/State credit enhancement is critical to managing the State's exposure. IFA's loan monitoring practices should generally follow the practices that commercial banks use to monitor loans and other credit facilities extended to finance energy projects. These practices help banks to anticipate problems before they arise, develop procedures to guide actions and respond quickly and effectively to evolving conditions.

During Project Implementation: When financing the construction or implementation phase of projects, it may be appropriate for a Lender to engage an independent construction engineer to monitor progress and alert the Lender and the IFA to cost overruns, delays or other problems that could cause the developer to exhaust the project budget before completing the project. Depending on the project, it may be

appropriate for other senior lenders and/or guarantors to share the services of this construction or project engineer. It also may be appropriate for the Lender and IFA to inspect the project periodically during this construction and implementation phase. Lien waivers may be required, as appropriate.

This early warning, together with rights to approve all construction draws, gives the Lender and IFA leverage to force the developer to promptly address construction or project problems before they become major issues. IFA should review construction progress reports on a monthly basis.

During Operation: IFA staff should monitor individual projects on a quarterly basis, tracking quarterly financial results, energy savings and position versus forecast, and compliance with covenants and loan benchmarks established for each project. On an annual basis, staff should make a site visit, call on management and re-underwrite the asset. All annual reviews will include an update on loan classifications outlined below.

Loan Classification

IFA should develop a loan classification similar to the one developed by the Office of the Comptroller of the Currency (“OCC”) for federal chartered commercial banks. That system includes the following categories:

- Current: Performing as forecast
- Special Mention: Variance of 10% to 15% or more from forecast
- Substandard: High risk of payment default on loans guaranteed
- Doubtful: Probable that IF A will have to fund under the moral obligation pledge

Loss Reserves

IFA should consider reserving for expected losses by applying a recognized accounting principal such as FAS114 adopted by the Financial Accounting Standards Board or another appropriate accounting rulemaking body, using OCC guidelines.

Reporting Requirements

IFA staff should provide the Energy Committee and the Board with quarterly reports, summarizing trends within the loan portfolio – segregated between projects in development and projects that have begun operation. These reports should highlight any non-performing or troubled credits, and should track actual versus forecasted performance and reevaluate the loan’s risk rating. As staff becomes aware of major situations in a specific project, updates should be provided to the Energy Committee and the Board as soon as possible.

APPENDIX A

PUBLIC ACT 096-0103 AND 096-0817 FACT SHEET

SUMMARY The State of Illinois (State) wishes to encourage the construction of Energy Efficiency projects in Illinois. Toward that end, the IFA and the State have implemented a program to assist financially certain energy efficiency projects in Illinois. The IFA is authorized to issue up to \$3.0 billion in bonds and loan guarantees in order to encourage Clean Coal, Coal, Energy Efficiency and Renewable Energy projects in Illinois. An applicant must submit an application for consideration by IFA for a bond issuance or loan guarantee under this program.

IMPLEMENTING

PUBLIC ACT 096-0817 (for Energy Efficiency), 096-0103 (for Clean Coal, Coal and Renewable Energy projects)

PROGRAM

EFFECTIVE DATE January 1, 2010

DEFINITIONS

Clean Coal Projects include:

- (i) “clean coal facility” as defined in the Illinois Power Agency Act,
- (ii) “clean coal SNG facility” as defined in the Illinois Power Agency Act;
- (iii) transmission lines and associated equipment that transfer electricity from points of supply to points of delivery for Clean Coal Projects;
- (iv) pipelines or other methods to transfer carbon dioxide from the point of production to the point of storage or sequestration for Clean Coal Projects; and
- (v) projects to provide carbon abatement technology for existing generation facilities.

Coal Projects include:

new electric generating facilities, as defined in Section 605-332 of the Department of Commerce and Economic Opportunity Law of the Civil administrative Code of Illinois,

Energy Efficiency Projects include:

Projects that reduce the amount of electricity or natural gas required to achieve a given end use.

Renewable Energy Projects include:

- (i) projects that use renewable energy resources, as defined in Section 1-10 of the Illinois Power Agency Act;

- (ii) projects to use environmentally preferable technologies and practices that result in improvements to the production of renewable fuels, including but not limited to cellulosic conversion, water and energy conservation, fractionation, alternative feedstocks or reduced greenhouse gas emissions;
- (iii) transmission lines and associated equipment that transfer electricity from points of supply to points of delivery for projects described in (ii) above; and
- (iv) projects that use technology for the storage of renewable energy, including without limitations the use of battery or electrochemical storage technology for mobile or stationary applications.
- (v) pipelines or other methods to transfer carbon dioxide from the point of production to the point of storage or sequestration for Renewable Energy Projects

PROGRAM LIMITS

The principal amount of financing to be provided by the IFA for qualifying Clean Coal, Coal and Renewable Energy Projects is subject to the following limitations:

PROPOSED PROJECT	LIMITATION
Transmission facilities as described in clause (iii) under Clean Coal Projects and clause (iii) under Renewable Energy Projects above	Up to \$300 million
Pipelines and other methods for transfer of CO2 and carbon abatement projects for existing facilities as described in clauses (iv) and (v) under Clean Coal Projects above	Up to \$500 million
Clean coal facilities and clean coal SNG facilities as described in clauses (i) and (ii) under Clean Coal Projects above and Coal Projects as described above	Up to \$2.0 billion
Renewable energy projects described in clauses (i), (ii) and (iv) under Renewable Energy Projects above	Up to \$2.0 billion

In addition to the above limits, the total size approved by the legislation for this program is \$3 billion in total. The aggregate exposure of the categories outlined above may not exceed this \$3 billion limit. Further, an application for a loan financed from bond proceeds for a Clean Coal, Coal, Energy Efficiency or Renewable Energy Project may not be approved for an amount in excess of \$450 million for any borrower or its affiliates.

APPENDIX B

Energy Efficiency Program

Make Sure All Contracting Groups Are Qualified

With the resources now available there will be several throwing their hat in the ring to perform the remediation work for energy efficiency. The Authority wants to ensure the projects we fund are performed by reputable companies. The following are some minimum guidelines for qualifying firms:

- Must have IL Office;
- Must be willing to use IL Labor;
- Must have been in business for a minimum of 10 years;
- Have to have two or more green bldg certified engineers on team;
- Must have a LEED AP on staff;
- Must be able to bond annual contracted amounts;
- Open book pricing;
- DOE standard for all projects;
- Qualified Firms must have no outstanding liabilities with State of IL;
- Must agree to utilize minority owned /woman owned vendors. This can, but is not limited to labor, supplies, engineering and support services;

RFP Geographical Territories for This Program

RFP Process is fair to all candidates and allows IFA or the State to ensure the capital is being utilized by qualified vendors;

Vendors are awarded territories which can be monitored easily to ensure program is implemented as expeditiously as possible;

Vendors are evaluated on the penetration within their territory, which should ensure that all parts of the State are targeted, serviced and have the same opportunities;

Vendors need to staff up accordingly and servicing a particular territory allows them to line up local service providers;

Geographic divisions for Energy Service Providers will make the implementation of this program more efficient; and,

RFP for territories will still allow for fair competition of participants and can also allow multiple companies to be awarded the opportunity to perform work in IL.

Financial Protection

The resources committed to remediate buildings will reduce the overall energy requirements within the State and the savings will then be used to repay the capital invested in these projects. The payback terms and conditions are based on the forecasted savings so it's crucial such report is as accurate as possible. Hence, there is a need to deal with reputable companies.

APPENDIX C

Schedule of Fees for Credit Enhancement for Energy Efficiency Projects

Principles for Setting Fees: Staff proposes that the fees schedule to be adopted by IFA for offering credit enhancement and/or tax-exempt financing status should be governed by the following principle:

- To encourage development and provide value.

Staff recommends that adoption of the following fee schedule to be assessed throughout the financing process.

Vetting: IFA: No Fees to IFA for a preliminary review of project information, including initial consideration by the Energy Committee.

Application: IFA: 1% on the amount requested up to \$1 million. An additional fee of 0.5% will be required on the amount which exceeds \$1 million.

Closing Costs: IFA: 1% of the amount requested up to \$1 million. An additional fee of 0.5% will be required on the amount which exceeds \$1 million.

Annual Fees: As a result of the IFA providing credit enhancement the applicant will receive below market rates on the borrowed funds. On an annual basis thereafter a fee of .5% - 1% will be charged on the unpaid balance of the loan. The exact fee to be charged will be determined by IFA based upon the risk of the credit. This annual fee will be determined prior to closing.