Illinois Energy Efficiency Revolving Loan Fund

Initial
Bridge Loan Strategy

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Section 1. Introduction

The Illinois Energy Efficiency Revolving Loan Fund (EE RLF) Program is designed to provide flexible financing solutions that support the deployment of energy efficiency and renewable energy projects throughout Illinois. Established through funding from the Infrastructure Investment and Jobs Act (IIJA) and administered by the Illinois Finance Authority (IFA) in partnership with the Illinois Environmental Protection Agency (Illinois EPA), the program plays a key role in advancing Illinois' clean energy and climate goals. The EE RLF Program aligns with state priorities, including those set forth in the Climate and Equitable Jobs Act (CEJA), by promoting access to clean energy solutions, reducing greenhouse gas emissions, and fostering economic development.

The EE RLF Program includes entities eligible for Direct Pay tax credits for eligible technologies under the Inflation Reduction Act (IRA), entities eligible for Investment Tax Credit (ITC) federal tax credits, and those qualifying for incentives under the Illinois Solar for All program. This broad access to financing enables a wide range of entities—including nonprofit organizations, public agencies, and for-profit businesses to benefit from energy related upgrades.

To support these diverse participants, the EE RLF Program offers two distinct loan products. The Bridge Loan product provides interim financing for projects awaiting the disbursement of tax credits and/or Illinois Solar for All upfront Renewable Energy Credit (REC) incentives. These loans ensure that projects can move forward without interruption, bridging the gap between project completion and the receipt of federal or state incentive payments. The second offering, the Co-Lending/Participation Loan, enables IFA to collaborate with other lenders by participating in loans up to the lesser of 50% of the lender's amount or $1,000,000. This loan product supports longer-term financing solutions that complement the Bridge Loan offering, accommodating projects with extended development timelines,operational needs, and those that may be eligible for Illinois Shines longer-term REC payments.

Financing Options

Direct Pay Tax Credits, Investment Tax Credits, and Illinois Solar for All Incentives

The Illinois Energy Efficiency Revolving Loan Fund (EE RLF) Program addresses critical financing gaps for projects eligible for Direct Pay tax credits for eligible technologies, traditional Investment Tax Credits (ITC), and incentives provided through the Illinois Solar for All program. These financing mechanisms are essential in supporting the deployment of clean energy technologies by offering financial benefits that reduce the overall cost of project development.

The Inflation Reduction Act (IRA) introduced Direct Pay tax credits, which allow eligible tax-exempt entities—such as nonprofit organizations, state and local governments, tribal governments, and certain cooperatives—to receive a cash payment from the federal government in lieu of a traditional tax credit. Direct Pay ensures that these entities can access financial benefits for implementing clean energy projects, including solar photovoltaic (PV) systems, solar plus storage solutions, ground-source geothermal systems, and other qualified energy technologies.

In addition to Direct Pay, for-profit entities and other organizations with sufficient tax liability may utilize the traditional Investment Tax Credit (ITC). The ITC provides a percentage-based reduction in federal tax liability based on eligible project costs. This form of tax credit plays a critical role in reducing upfront capital requirements for clean energy projects, incentivizing broader participation in renewable energy development.

The Illinois Solar for All program provides another significant incentive structure by offering upfront payments upon project energization. These payments are made in exchange for Renewable Energy Credits (RECs), which the project commits to deliver over a 15-year period. This upfront REC payment model reduces financial risk for developers by providing early liquidity, which can be reinvested into further project development or used to repay interim financing obligations.

However, a timing gap persists between project development and the receipt of these financial benefits. Whether awaiting Direct Pay disbursements, ITC monetization, or Illinois Solar for All incentive payments, project developers often face substantial upfront costs for equipment procurement, construction, and interconnection. These costs can create financial barriers that may delay or jeopardize project completion.

The EE RLF Program addresses this timing gap by offering Bridge Loans that provide interim funding aligned with the expected timeline of these financial benefits. Bridge Loans under the program are structured with flexible repayment terms, requiring full repayment within 30 days of receiving the applicable tax credit disbursement or Illinois Solar for All incentive payment, or by the loan maturity date, whichever occurs first. This structure ensures that projects can continue without financial disruption, allowing borrowers to meet critical milestones on schedule.

By providing interim financing solutions tailored to Direct Pay tax credits, Investment Tax Credits, and Illinois Solar for All incentives, the EE RLF Program reduces financial risks for eligible entities. The program's loan offerings encourage broader participation in Illinois' clean energy transition by making it easier for a diverse range of borrowers to implement energy efficiency measures and renewable energy technologies. In doing so, the EE RLF Program plays a vital role in advancing the state's clean energy and climate objectives while supporting economic development and environmental sustainability.

Co-Lending and Participation Loans

In addition to Bridge Loans, the Illinois Energy Efficiency Revolving Loan Fund (EE RLF) Program offers Co-Lending and Participation Loans as a complementary financing option, pending approval from the Illinois EPA. While these loans represent a smaller portion of the overall program, they play a critical role in addressing market feedback and supporting project financing continuity as well as offering financing for Illinois Shines REC payments that typically occur over a longer 6-7-year period.

Feedback from lenders has indicated that offering Bridge Loans at attractive or lower interest rates may inadvertently make it more challenging for borrowers to secure additional low-interest funding from other lenders. This additional funding is often necessary to cover the remainder of project costs, including development, construction, and ongoing operational expenses. In response, the EE RLF Program includes a Co-Lending and Participation Loan option to bridge this gap and facilitate comprehensive project financing solutions.

Purpose and Structure of This Document

This document provides a public-facing strategic guide to the EE RLF Program's Bridge Loan and Co-Lending/Participation Loan offerings. It outlines key aspects of the program, including eligibility criteria, loan terms and conditions, application and approval processes, reporting requirements, and risk management measures. By offering clear guidance on the program's operations and objectives, this document supports transparency, fosters stakeholder engagement, and ensures that the EE RLF Program will play a vital role in Illinois' clean energy future.

Section 2. Eligible Purposes and Administration.

Section 2.1 The Illinois Environmental Protection Agency (Illinois EPA) has received an allocation of $15,963,220 under the U.S. Department of Energy's Energy Efficiency Revolving Loan Fund (EE RLF) Capitalization Grant Program, authorized by Section 40502 of the Infrastructure Investment and Jobs Act (IIJA), commonly referred to as the Bipartisan Infrastructure Law (BIL). The Illinois Finance Authority (IFA), designated as the Illinois Climate Bank, will act as the Program Sponsor for the administration of the EE RLF Program.

Section 2.2 Program Sponsor IFA will use EE RLF and Loan proceeds only as follows:

A. **Qualified Project Loans**: The Program Sponsor will use $14,366,898 of its grant allocation to issue loans to Qualified Projects that meet certain programmatic requirements and objectives in accordance with the requirements outlined in the applicable U.S. Department of Energy (DOE) regulations and guidance as further outlined herein. These loans include:

   a. <u>Bridge Loans</u>: Loans of no more than 24 months, capped at $1,000,000, issued to Qualified Projects eligible for Direct Pay tax credits, traditional Investment Tax Credits (ITC), or incentives under the Illinois Solar for All program. Bridge Loans will support interim financing aligned with the expected timeline for incentive or tax payment disbursements.

   b. <u>Co-Lending and Participation Loans</u>: Loans where IFA participates alongside private lenders by contributing up to 50% of the lender's loan amount, capped at $1,000,000. Terms can extend up to 7 years – aligning with the Illinois Shines 6-7 -year REC payments – and offers longer-term financing solutions that complement Bridge Loans. These loans are designed to address challenges in securing additional funding for development, construction, and operational phases of clean energy projects.

B. **Administrative Cost**: No more than 10% of the total funds allocated to the Illinois EPA may be used for administrative expenses related to the EE RLF program.

C. **Program Income**: Any program income earned by the Program Sponsor as a direct result of activities under the EE RLF Program shall be added to the funds already committed to the EE RLF Program until program close out. Such income will be reinvested to advance Qualified Project objectives in accordance with DOE regulations (2 CFR Part 200.307). Program income may include but is not limited to:
   a. Income from fees or services performed;
   b. Income from the use or rental of property acquired with EE RLF funds;
   c. Payment of principal and interest on loans made with EE RLF funds

Section 2.3 Use of IFA Staff and Contractors. Program Sponsor will use IFA staff, contractors, or third parties to support necessary operations, EE RLF administration, program and loan design and development, loan origination, servicing, accounting, metrics, and reporting, and other functions up to the limit identified in Section 2.2B.

A. **Contractors and Subcontractors.** Program Sponsor will ensure that all contracts and subcontracts to perform EE RLF program work comply with all Federal and State procurement laws including Illinois Procurement Code and contracts are being awarded to organizations that:

a. Have adequate financial resources, experience, organization, technical qualifications and resources, and facilities for performance of the contract or subcontract, and possess the ability to successfully perform the EE RLF Program work subject of the contract or subcontract;

b. Have staffing sufficient to comply with the completion schedule for the EE RLF Program work;

c. Have a demonstrated record of compliance with previous grants or contracts with federal, State, or local governments; and

d. Have an established financial management system and audit procedure.

B. **Use of Technical Tax Consultant**. To support the Program Sponsor in evaluating Qualified Projects for eligibility under the Direct Pay and Investment Tax Credit (ITC) provisions of the Inflation Reduction Act (IRA), the IFA will engage a consultant with proven technical expertise in U.S. tax code related to clean energy tax incentives. The consultant will assist the Program Sponsor in conducting due diligence on potential Qualified Projects to ensure they meet eligibility criteria for Direct Pay tax credits. Additionally, the consultant will play a critical role in underwriting by providing valuation assessments of the expected direct pay tax credits associated with each Qualified Project. Beyond these evaluation and underwriting responsibilities, the consultant will provide support in preparing and submitting the necessary Internal Revenue Service (IRS) tax forms and related documentation required by the U.S. Treasury and IRS, ensuring that Borrowers who receive loans under the EE RLF Program can successfully claim the Direct Pay tax credit or ITC tax credit in a timely manner.

Section 2.4 Compliance with Federal policies for loan fund administration. With respect to use of the EE RLF loan funds, disbursement of the funds and issuance of Qualified Project Loans, Program Sponsor will ensure that:

A. **DOE Terms and Conditions.** Program Sponsor will ensure that all Qualified Projects comply with the DOE Terms & Conditions and legal requirements and ensure that all Qualified Project Loan agreements contain provisions that pass the applicable provisions through to the borrowers and make borrowers bound by these provisions;

B. **Uniform Administrative Requirements, Cost Principals, and Audit Requirements.** Program Sponsor will adhere to the applicable Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, which are published in Title 2, Part 200 of the Code of Federal Regulations (2 CFR Part 200) and are incorporated herein by reference. 44 Ill. Admin. Code 7000.40(c)(1)(A).

C. **Tax Compliance.** Program Sponsor will comply with all provisions of the federal Internal Revenue Code (26 USC 1), the Illinois Income Tax Act (35 ILCS 5), and all regulations and rules promulgated thereunder, including withholding provisions and timely deposits of employee taxes and unemployment insurance taxes.

Section 3. Qualified Projects & Qualified Project Loan Offerings

Section 3.1 Qualified Projects. Program Sponsor will issue Qualified Project Loans only for Qualified Projects. Qualified Projects under the EE RLF Program are limited to commercial and multifamily buildings with five or more units located in Illinois. These projects may be intended for nonprofit organizations, public entities, and for-profit entities. Eligible technologies include those specified by federal regulations and guidance that qualify for refundable tax credits through the Direct Pay mechanism, traditional Investment Tax Credits (ITC), and those eligible for Illinois Solar for All incentives.

A. **Qualified Project Energy Audit Requirements.** Each Qualified Project must be supported by a qualifying energy audit, completed in accordance with Section 3.4 of this document and the DOE's Revolving Loan Fund Energy Audit Guide. The audit must assess the building's energy use, recommend qualified technologies, and identify opportunities for energy efficiency improvements. The audit serves as a critical tool to ensure that proposed projects meet the program's eligibility and performance standards.

   The energy audit must include a detailed estimation of the total energy and cost savings potential if all recommended upgrades and retrofits are implemented. Such estimations must provide data that matches the DOE-approved BuildingSync schema, a standardized format for conveying energy audit data, ensuring compatibility with multiple audit software tools.

B. **Qualified Project Core Objectives**. Qualified Projects must address at least one of the following core objectives:

   a. improving the energy efficiency of the building or facility;

   b. enhancing the physical comfort of the building or facility occupants; or

   c. improving the quality of air within the building or facility.

C. **Qualified Project Core Outcomes.** Projects must also deliver tangible outcomes aligned with the program's objectives. Each project should result in either:

   a. a reduction in the energy intensity of the facility; or

   b. improved control and management of energy usage to reduce peak demand periods.

D. **Qualified Project Cost Effectiveness**. For a project to qualify, the energy audit must determine the overall energy consumption of the facility and provide recommendations that are lifecycle cost-effective. Lifecycle cost-effectiveness is generally determined by demonstrating that the anticipated energy savings over the useful life of the improvements will equal or exceed the total cost of such improvements. However, the Program Sponsor (IFA) reserves the right to apply other methodologies to determine cost-effectiveness, as appropriate.

E. **Building Sector Eligibility: Commercial**. Commercial buildings are eligible under the EE RLF Program as outlined in [IIJA Section 40502(e)(2)(A)(iv)](). To qualify, the eligible recipient must meet both of the following requirements:

   a. The entity must conduct the majority of its business within Illinois, and

   b. The entity must own or operate one or more commercial buildings or commercial spaces within a building that may serve multiple functions, such as mixed-use commercial and residential operations.

   All eligible borrowers under this subsection may include nonprofit and public entities eligible for Direct Pay or Illinois Solar for All program incentives, and for-profit entities eligible for federal tax credits under the Inflation Reduction Act.

   For the purpose of clarity, the definition of commercial buildings includes buildings that are not solely residential buildings with fewer than five units.

F. **Building Sector Eligibility: Multifamily**. Multifamily buildings with five or more units located in Illinois are eligible for the EE RLF Program as outlined in IIJA Section 40502(e)(2)(B)(iv). Eligible entities include nonprofit and organizations, public entities eligible for Direct Pay or Illinois Solar for All program incentives, and for-profit entities eligible for federal tax credits.

G. **EE RLF Project Ineligibility.** The EE RLF Program is designed to fund only those projects that align with the program's core objectives and federal requirements. Therefore, certain projects are explicitly ineligible for loan consideration to maintain program integrity and compliance.

   a. Residential Projects: Loans will not be issued for residential projects, including single-family homes and multifamily buildings with fewer than five units. The EE RLF Program is exclusively intended for commercial and qualifying multifamily buildings with five or more units.

   b. Lack of Qualified Energy Audit: Any project that has not undergone a qualified energy audit is ineligible for loan funding. The energy audit must meet the standards outlined in Section 3.4 of this document and must recommend Eligible Technologies that qualify for Direct Pay tax credits under the Inflation Reduction Act (IRA), Investment Tax Credits (ITC), or Illinois Solar for All incentives. This requirement ensures that all funded projects are aligned with performance benchmarks and federal compliance standards.

   c. Community Solar: Loans will not be issued for community solar projects, unless they are installed on buildings listed as eligible in subsections E or F of this section.

Section 3.2 Eligible Technologies. The EE RLF Program supports projects that have conducted an energy audit in compliance with the provisions of Section 3.4. The audit must have identified eligible technologies that qualify for ITC tax credits, Direct Pay tax credits of the Inflation Reduction Act (IRA), or Illinois Solar for All (Bridge Loan) or Illinois Shines (Participation Loan) incentives.

A. **Eligible Technologies for Loan Financing.** Only technologies that explicitly qualify for Direct Pay tax credits under the IRA or Illinois Solar for All (Bridge Loan) will form the basis for Bridge Loan calculations under the EE RLF Program. Loan amounts will be calculated based on IRS rules for components that qualify for Direct Pay and will be evaluated by the Technical Tax Consultant. These technologies include:

   a. Solar Photovoltaic (PV) or Solar Thermal Systems: Solar energy systems designed for on-site energy generation. The loan will cover only the eligible solar components, excluding unrelated efficiency upgrades unless paired with eligible technologies. Solar systems must be outlined in the energy audit and paired with an energy storage system designed to provide continuous operation during outages OR installed alongside a technology outlined in Section 3.2B.

   b. Energy Storage Systems Paired with Solar: Solar-paired storage systems that enhance energy resilience and enable grid outage operations and were recommended in the energy audit.

   c. Ground Source Geothermal Systems: Ground source geothermal systems that qualify for Direct Pay tax credits are eligible, provided they are recommended as part of the energy audit and paired with a technology outlined in Section 3.2B

   d. Other Direct Pay or ITC-Eligible Renewable Systems: Any additional renewable systems and technologies that may qualify for Direct Pay tax credits or the ITC under updated federal guidelines will be considered, subject to approval by the Illinois Finance Authority (IFA) and compliance with U.S. Department of Energy (DOE) requirements. These systems or technologies must be installed alongside a technology outlined in Section 3.2B.

B. **Technologies Eligible for Energy Audit Recommendations (But Not Bridge Loan Calculation).** While energy audits may recommend a broad range of energy efficiency improvements to enhance building performance, comfort, and air quality, only certain components contribute to the loan calculation. Recommended technologies that may be included in the audit and possibly eligible for co-lending and participation financing, but are not eligible for bridge loan financing include, but are not limited to:

   a. High-efficient HVAC systems,

   b. LED lighting and controls, and

   c. Building envelope improvements.

Section 3.3 Loan Types: The Energy Efficiency Revolving Loan Fund (EE RLF) Program offers loan structures designed to support projects that incorporate Eligible Technologies qualifying for Direct Pay tax credits under the Inflation Reduction Act (IRA). The Technical Tax Consultant will assist the Program Sponsor (IFA) in determining both the eligibility of identified technologies and the total amount of the applicable tax credits. A crucial component of this review is verifying that the energy audit was performed in accordance with the requirements outlined in Section 3.4 and recommends eligible technologies as specified in Section 3.2A that qualify for Direct Pay tax credits, ITC, or Illinois Solar For All..

A. **Bridge Loans**: Bridge Loans are available for projects eligible for Direct Pay tax credits, ITC, or Illinois Solar for All incentives. Borrowers must provide documentation verifying eligibility, including proof of Illinois Solar for All REC commitments upon energization and any necessary approvals. The Technical Tax Consultant will verify the accuracy of Direct Pay or ITC calculations. Only eligible portions of the project related to these incentives will be included in the loan calculation.

   a. <u>Development-Stage Bridge Loans</u>: Development-stage bridge loans are available for Eligible Technologies in the development phase. Prospective borrowers must provide a qualified energy audit conducted per Section 3.4, demonstrating that the audit covered eligible technologies outlined in Section 3.2A that meet Direct Pay, ITC, or Illinois Solar for All eligibility criteria. The borrower must also provide documentation of project feasibility, including interconnection status, permitting progress, site control, zoning approvals, site design, development milestones timeline, construction timeline, procurement plan, and proof of eligibility for applicable incentives. The Technical Tax Consultant will evaluate all provided documentation and confirm eligibility and the total incentive amount. Only eligible portions of the project will be included in the loan calculation.

   b. <u>Notice to Proceed and Construction-Phase Bridge Loans</u>: For projects applying for a loan at the Notice to Proceed (NTP) stage or during the construction phase, the prospective borrower must provide a qualifying energy audit completed in accordance with Section 3.4. The audit must recommend Eligible Technologies as outlined in Section 3.2A that qualify for Direct Pay tax credits, ITC, or Illinois Solar for All incentives. The borrower must submit construction timelines, procurement agreements, necessary permits, zoning approvals, and Illinois Solar for All REC documentation where applicable. The Technical Tax Consultant will review all submissions and provide feedback to the Program Sponsor regarding incentive eligibility and calculations.

B. **Participation and Co-Lending Loans**: Participation and Co-Lending Loans are available for projects requiring additional funding beyond what Bridge Loans can support. These loans are offered in collaboration with other lenders. For projects participating in Illinois Shines, borrowers must provide Illinois Commerce Commission (ICC) approval documentation. The Technical Tax Consultant will assist in evaluating eligibility for Direct Pay tax credits, and ITC, ensuring that all participation loans align with program objectives and federal requirements.

   a. <u>Late Construction or Post-Construction Term Loan:</u> Available for projects that have reached the late construction phase or have been fully constructed. These loans are provided through co-lending arrangements, where the Program Sponsor (IFA) partners with a private lender, offering long-term financing that accounts for eligible tax credits, Illinois Shines REC payments, and other eligible improvements under the EE RLF Program.

Section 3.4 Compliance Requirements for Qualified Projects

A. **Energy Audit Requirements** : Any Qualified Project seeking financing under the EE RLF Program must undergo a qualifying energy audit that provides recommendations for Qualified Technologies and improvements. The energy audit plays a critical role in determining a building's overall energy use, identifying inefficiencies, and prioritizing upgrades to improve energy performance, comfort, and safety. To meet the compliance requirements of the U.S. Department of Energy (DOE) and the Program Sponsor (IFA), all energy audits must adhere to the following criteria:

   a. **Software that Uses BuildingSync**: All qualifying audits for commercial buildings must provide data compatible with BuildingSync schema, a standardized data format recommended by the DOE. BuildingSync ensures consistency in reporting and is compatible with multiple energy audit software tools.

   b. **Multi-Family Audit Requirements.** As outlined in the U.S. Department of Energy Revolving Loan Fund Energy Audit Guide, multifamily audits must:

      i. Use the same evaluation criteria as the Home Performance Assessment used in the Energy Star program.

      ii. Identify and recommend lifecycle cost-effective opportunities to reduce the energy consumption of the facility of the eligible recipient.

      iii. Recommend controls and management systems to reduce or redistribute peak energy consumption.

      iv. Compare the energy consumption of the residential building of the eligible recipient to comparable residential buildings in the same geographic area.

      v. Provide a Home Energy Score, or equivalent score (as determined by the Secretary), for the residential building of the eligible recipient by using DOE's Home Energy Score Tool or an equivalent scoring tool.

   c. **Commercial Building Audit Requirements:** As outlined in the U.S. Department of Energy Revolving Loan Fund Energy Audit Guide, commercial building audits must**:**

      i. Determine the overall consumption of energy of the facility of the eligible recipient.

      ii. Identify and recommend lifecycle cost-effective opportunities to reduce the energy consumption of the facility of the eligible recipient.

      iii. Identify the period and level of peak energy demand for each building within the facility of the eligible recipient and the sources of energy consumption that are contributing the most to that period of peak energy demand.

      iv. Recommend controls and management systems to reduce or redistribute peak energy consumption.

v. Estimate the total energy and cost savings potential for the facility of the eligible recipient if all recommended upgrades and retrofits are implemented, using software approved by DOE.

d. **Utility-Provided Energy Audits.** Prospective borrowers are encouraged to explore free or low-cost energy audit opportunities provided by utilities. Some utilities may offer these services to support energy efficiency improvements. However, the Program Sponsor will only accept energy audits that fully comply with DOE's Energy Audit Guide and meet all statutory requirements applicable to the EE RLF program.

e. **Acceptance of Previous Energy Audits.** Program Sponsor may accept recently completed energy audits, provided they meet all DOE and statutory requirements, utilize DOE-approved BuildingSync schema, and include comprehensive documentation supporting the audits findings, and methodologies.

B. **Buy America Requirements**: Qualified Projects funded by this program must comply with the Building Infrastructure Law's Special Terms and Conditions Buy America provisions mandating the use of domestically manufactured materials and products, subject to any waivers or exemptions issued under federal law. Program Sponsor will verify compliance with Buy America provisions prior to loan disbursement.

C. **Davis-Bacon Act Compliance**: Qualified Projects funded by this program must comply with the Building Infrastructure Law's Special Terms and Conditions Davis-Bacon Act requirement, which will apply to Qualified Projects where construction is funded under this program. The Davis-Bacon Act requires contractors and subcontractors to pay laborers and mechanics employed on federally supported contracts for construction, alteration, or repair work no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area as established by U.S. Department of Labor. Contractors must maintain an accurate record of hours worked and wages paid, including fringe benefit contributions, and submit certified payrolls on a weekly basis. Program Sponsor (IFA) will require documentation verifying that contractors and subcontractors comply with wage determinations and reporting obligations as mandated by federal law.

a. The project prime contractor (and any subcontractors) responsible for implementing and installing the Eligible Project improvements will be required to submit weekly certified wage and benefit reports using DOEs LCPtracker system during the term of the Eligible Project. See Weekly DBA Payroll Tracking with LCPtracker | Department of Energy.

D. **Installer Certifications**: Distributed generation installers working on eligible projects must be certified by the Illinois Commerce Commission.

E. **NEPA Compliance**: Projects funded by this program are subject to National Environmental Policy Act (NEPA) review, unless they fall within the exceptions described by the US Department of Energy's NEPA Determination.

F. **Historical Preservation Review**: Projects funded by this program are subject to historic preservation review by the Illinois Historic Preservation Agency, unless they fall within the exceptions described in the state's Programmatic Agreement, as it relates to the State Energy Program.

G. **Intellectual Property Rights**. Projects funded under this program are subject to 2 CFR 200.315 (e.g. institution of higher education or nonprofit organizations) or 2 CFR 910.362 (e.g. for-profit).

Section 3.5 Examples of Projects That Qualify for EE RLF

Below are a few examples of Qualified Project Technologies and Eligible Borrowers. This list is not comprehensive and is intended solely to illustrate potential examples.

A. Energy Efficiency + Solar: A City's Public Library conducts an energy audit that recommends HVAC and lighting upgrades as well as installing solar on their roof. The solar installation is eligible for the Investment Tax Credit and Direct Pay because the library is a public entity and the HVAC/lighting upgrades are eligible for the EE RLF program. The public library applies for Direct Pay and receives an up-front EE RLF Bridge Loan covering the value of the credits.

B. Solar + Storage: An affordable housing nonprofit conducts an energy audit that includes installing solar and energy storage on their multifamily building. The solar installation is eligible for the Investment Tax Credit and Illinois Solar for All project incentives. The energy storage (paired with the solar) is also eligible for Investment Tax Credit. The nonprofit applies for Direct Pay and Illinois Solar for All and receives an up-front EE RLF Bridge Loan covering the value of the credits and incentives.

Section 4. Eligible Borrowers For Qualified Project Loans

Section 4.1 Qualified Borrowers. To be eligible for financing under EE RLF, a borrower must meet requirements specified in this section ("Qualified Borrowers"). Qualified Borrower must be a business, nonprofit, or public entity that conducts a majority of its business in Illinois, be in good standing with the Illinois Secretary of State, meet the criteria established by Illinois state policies, regulatory requirements, and applicable federal standards and is not suspended, debarred, or otherwise excluded from receiving Federal funds in accordance with 2 CFR 200.332. Qualified Borrowers must demonstrate financial and technical capability to execute Qualified Projects as outlined in Section 3.1 and must comply with all regulatory, labor, and environmental requirements applicable to the project type.

Qualified Borrowers may include, but are not limited to, the following entities:

- Municipalities, counties, and local government agencies.
- Public school districts.
- Nonprofit organizations.
- Rural electric cooperatives and municipal utilities.
- Tribal governments and entities.
- For-profit entities.

Qualified Borrowers must also be eligible for one or more of the following incentives:

- Direct Pay tax credits of the Inflation Reduction Act
- Investment Tax Credit (ITC) federal tax credits
- Illinois Solar for All incentives

Qualified Borrowers may submit Qualified Projects for a loan under the EE RLF Program only if such projects involve commercial buildings or multifamily buildings with five or more units. Additionally, each project must have undergone an energy efficiency audit that recommends eligible technologies outlined in Section 3.2A. The eligibility of each borrower and project will be subject to a thorough review process conducted by the Program Sponsor, with support from the Technical Tax Consultant, to ensure compliance with Direct Pay, ITC provisions, Illinois Solar for All eligibility and alignment with the EE RLF Program objectives.

Section 4.2 Minimum Borrower information. To ensure compliance with federal and state funding requirements, the Program Sponsor (IFA) must collect and verify all information and documentation specified In Attachment A from each Qualified Borrower before issuing a Qualified Project Loan. Documentation must include proof of eligibility for applicable tax credits or incentives, such as Illinois Solar for All REC commitments and Illinois Commerce Commission (ICC) approval for Illinois Shines projects where applicable.

Section 4.3 Compliance with Federal policies for borrowers. Qualified Borrowers agree to the terms and conditions of the DOE Award including the Intellectual Property Provisions as required by 2 CFR 200.101, the terms and conditions of the DOE Award as required by 2 CFR

200.327, and compliance with Davis Bacon, Buy America Provisions, NEPA requirements, Installer Certifications and use of Approved Vendors, and Historical Preservation Review as detailed within Section 3.4.

Section 4.4 Liquidity Given that many Qualified Borrowers under the EE RLF Program are nonprofit organizations and municipal governments, it is recognized that these entities may have limited liquidity. The Program Sponsor will consider the borrower's financial capacity and available liquidity when evaluating loan applications.

Section 5. Approval Of Qualified Project Bridge Loans

Section 5.1 Approval Authority. Program Sponsor has the authority to review and approve any EE RLF Qualified Project Loans.

Section 5.2 Due Diligence and Loan Application Process. The Energy Efficiency Revolving Loan Fund (EE RLF) Program follows a structured, sequential process for reviewing loan applications and due diligence project submissions. The process ensures compliance with Direct Pay tax credit provisions of the Inflation Reduction Act (IRA), federal requirements, ITC eligibility criteria, Illinois Solar for All (Bridge Loan), and Illinois Shines (Participation Loan) program requirements, where applicable. The process includes preliminary screening, comprehensive due diligence, and collaboration with the Technical Tax Consultant for eligibility and financial assessments.

1. Pre-Application Submission. Prospective borrowers must submit a pre-application using the pre-application link available on the Illinois Finance Authority (IFA) website. The pre-application will collect essential information regarding the Borrower's eligibility for Direct Pay tax credits, ITC, Illinois Solar for All (Bridge Loan) REC payments, Illinois Shines (participation loans) basic project details, and the status of required energy audits.

2. Preliminary Review by Program Sponsor. Upon receipt of the pre-application, the Program Sponsor (IFA) will conduct an initial review of the submitted materials. The Program Sponsor will assess whether the project appears to qualify under the EE RLF Program guidelines, focusing on eligibility, project feasibility, and alignment with program objectives. If the project appears eligible, the Program Sponsor will invite the prospective borrower to submit a full application and will outline the additional required documentation.

3. Full Application Submission. Prospective borrowers invited to submit a full application must provide comprehensive documentation, including but not limited to:

    a. Diligence documentation as outlined in Section 3.3 (Loan Types), which includes details on interconnection status, permitting, site control, zoning approvals, procurement plans, Illinois Shines or Illinois Solar For All REC documentation, additional financing, and Direct Pay or ITC eligibility;

    b. Entity financial statements, including audited or unaudited financials or equivalent reports;

    c. Proof of project compliance with Federal and State requirements outlined in Section 3.4;

    d. Entity documentation, such as organizational charts, governance documents, and proof of eligibility for Direct Pay tax credits, ITC, or Illinois Solar for All incentives;

    e. A qualified energy audit report conducted per Section 3.4, demonstrating that the audit recommends eligible technologies as outlined in Section 3.2;

f. Documentation confirming the project's ability to meet the necessary milestones for successful energization;

g. Illinois Commerce Commission (ICC) approval documentation for Illinois Shines projects (when applicable);

h. Information outlined in Attachment A; and

i. Additional Documentation as required by the Program Sponsor or Technical Tax Consultant to evaluate the eligibility of a project or proposed borrower.

4. Comprehensive Review and Eligibility Analysis. The Program Sponsor (IFA) will conduct a detailed review of the full application materials, including the following activities:

   a. Analyze the eligibility of the technologies in accordance with Section 3.2 for Direct Pay tax credits.

   b. Confirm the calculation of the total incentive amount based on eligible project components and Illinois Solar for All incentives.

   c. Conduct an analysis of the appropriate loan term, including interest rates and repayment schedules.

   d. Assess the project's feasibility for successful energization, ensuring the borrower's plan aligns with the required timelines for Direct Pay tax credits , ITC, and other incentive payments.

   e. Coordinate this step with the overall underwriting process.

   f. Review and confirm project funding sources and uses, including tax credits, incentive payments, private capital, and other funding sources, ensuring they are documented and aligned with program requirements to support financial feasibility and project viability.

5. Bridge Loan Agreement Execution. If the project is approved and the borrower is identified as a Qualified Borrower following the comprehensive review, the Program Sponsor (IFA) will issue a loan approval letter and proceed to enter into a loan agreement with the Borrower. The loan agreement must be executed before any funds are disbursed. The Technical Tax Consultant will provide final confirmation that all eligibility conditions related to Direct Pay tax credits and ITC have been met. By following this structured application review process, the EE RLF Program ensures transparent, consistent evaluations that uphold federal compliance and support Illinois's clean energy and climate objectives

6. Assistance with Tax Documentation. After loan disbursement and during project execution, the Technical Tax Consultant will be available to assist the Borrower with preparing, completing, and filing all necessary documentation required to claim the Direct Pay tax credits. This includes ensuring that all forms comply with IRS guidelines, verifying pre-registration and filing milestones, and confirming that all eligibility requirements are satisfied. The consultant will work closely with the Borrower to support

a successful Direct Pay submission. For Borrowers claiming the ITC, Technical Tax Consultant shall review the IRS Tax Filing to ensure accuracy and ability to receive the tax credit.

7. Bridge Loan Repayment. Upon successful receipt of the applicable incentive payment, the borrower is required to repay the loan with interest according to the terms specified in the loan agreement. The repayment schedule will reflect the final incentive amounts calculated during underwriting. The Program Sponsor (IFA) will oversee the repayment process, ensuring full compliance with loan terms and facilitating the reinvestment of repaid funds into future EE RLF Program initiatives.

Section 5.3 Coordination with Federal Tax Credits Eligibility under the Energy Efficiency Revolving Loan Fund (EE RLF) Program is tied, in part, to Direct Pay tax credit provisions of the Inflation Reduction Act (IRA) or Investment Tax Credits (ITC). Both the Borrower and the Project must meet specific requirements related to Direct Pay and the ITC to qualify for loan consideration. The Technical Tax Consultant will support the Program Sponsor (IFA) in evaluating the eligibility of both the Borrower and the Project to ensure compliance with all applicable incentive provisions.

Section 6. Loan Details

Section 6.1 Loan Structure Details. The EE RLF Program offers two primary loan structures: Bridge Loans and Co-Lending/Participation Loans. Table 1 outlines key details of each loan type.

Table 1

Type	**Bridge Loan**	**Co-Lending/Participation Loan**
Eligible Borrowers	• Nonprofits and Public Entities eligible for the Direct Pay tax credits of the Inflation Reduction Act • Entities eligible for Investment Tax Credits under the Inflation Reduction Act • Entities eligible for incentives under the Illinois Solar for All program.	• Nonprofits and Public Entities eligible for the Direct Pay tax credits of the Inflation Reduction Act • Entities eligible for Investment Tax Credits under the Inflation Reduction Act • Entities eligible for incentives under the Illinois Solar for All program. • Entities eligible for Renewable Energy Credits under the Illinois Shines program.
Qualified Project(s)	Commercial buildings and multifamily buildings with five or more units located in Illinois	Commercial buildings and multifamily buildings with five or more units located in Illinois
Loan Maximum	$1,000,000 The amount of the Bridge Loan shall be set at the eligible basis for costs eligible for federal tax credit payments under the IRA plus any eligible Illinois Solar for All project incentives.	Program Sponsor participation shall be up to 50% of the Lender's loan up to $1,000,000
Loan Minimum	$50,000	None
Term	18-24 months	Loan term may not exceed 7 years with an amortization not to exceed 15 years
Prepayment Penalty	None	Subject to details of the co-lending arrangement
Repayment Schedule	No monthly payments. Full payment due upon receipt of Direct Pay tax	Monthly payments of principal and/plus interest with balloon due

	credit payments from the U.S. Treasury, Tax filing for ITC and/or Upfront Incentive Payment for Illinois Solar For All. Interest shall be due at time of the final payment of principal on the Bridge Loan or at maturity, whichever occurs first.	at maturity, or as otherwise agreed with the Lender and allowed by program requirements.
Term Extension	Extensions to the standard term may be granted by the Program Sponsor (IFA) based on changes in the anticipated project schedule or specific circumstances impacting energization and eligibility for Direct Pay. Principal repayment must occur within 30 days of the Borrower's receipt of the Direct Pay refundable tax credit payment, tax credit filing for ITC and/or upfront payment for Illinois Solar For All incentive. The final maturity date of the loan serves as the ultimate repayment deadline, regardless of delays in tax credit or incentive disbursement. Interest payments are due concurrently with principal repayment.	Subject to details of the co-lending arrangement. Co-financiers may have their own operational policy limitations regarding term extension, especially for performing loans.
Origination Fees	Upfront origination fee of no more than 2% of loan All fees will be clearly outlined in the loan agreement and disclosed prior to loan disbursement.	Upfront origination fee of no more than 2% of loan. Project Lender is responsible for origination for Project Lender's Loan All fees will be clearly outlined in the loan agreement and disclosed prior to loan disbursement.
Interest Rate	Generally 3-6% per annum	Subject to co-financier rate requirements, which will likely be market rate, with the exception of lenders seeking to support Qualified Projects at concessional rates, e.g., impact investors.
Interest Rate Assessment	The Program Sponsor will determine the final interest rates by assessing several items in the process identified	Co-financiers will engage in their own underwriting and risk assessment that will inform their

	in Section 5.2 and information provided in Attachment A including but not limited to: 1. The risk profile of the project, including complexity, development stage, and interconnection status; 2. The liquidity and financial strength of the borrower; 3. The anticipated timeline for project completion and receipt of Direct Pay tax credits which encompasses the Term of the bridge loan; and 4. Other market conditions and factors	interest rate requirement. This assessment will include, but not be limited to, the co-financier's determination of how the Program Sponsor's participation in the Loan translates into risk mitigation.
Loan Advances	Multiple draws allowed	Program Sponsor and Project Lender shall mutually agree upon a draw schedule for the project, which shall draw upon Borrower equity first, followed by the Bridge Loan and until fully drawn. Remaining draws when applicable will be advanced from Project Lender's Loan.
Loan Security	Secured by the financed project assets, including equipment. Additional collateral may be required.	Subject to co-financier's security requirements.
Prohibitions	1. Prepayment Loan Penalties: Prepayment penalties are strictly prohibited. Borrowers may repay their loans in full prior to maturity without incurring any fees or penalties. This provision is designed to promote financial flexibility for Borrowers and encourage timely repayment without unnecessary financial burdens. 2. Project Location Requirements: Loan proceeds will not be disbursed for any project located outside the State of Illinois. The EE RLF Program exclusively supports energy efficiency and clean energy upgrades within Illinois to meet state climate and economic development goals, as authorized by federal and state funding provisions. 3. Residential Loan Restrictions: Loans will not be issued for residential projects such as single-family homes or multifamily buildings with fewer than five units. The EE RLF Program is intended solely for commercial, industrial, and qualifying multifamily buildings with five or more units, aligning with federal	

	and state objectives for scalable energy efficiency improvements. 4. Energy Audit Prerequisite: No loan will be issued to any Borrower who has not completed a qualified energy audit in accordance with Section 3.4 of this document. The energy audit must at a minimum recommend Eligible Technologies that qualify for Direct Pay tax credits or ITC under the Inflation Reduction Act (IRA). This requirement ensures that all financed projects meet performance standards and energy efficiency objectives outlined by the U.S. Department of Energy (DOE)
Federal Compliance Consideration	All loan terms will be structured to reflect compliance with federal regulations, including the Davis-Bacon Act (prevailing wage requirements), Build America, Buy America Act (BABA) provisions, National Environmental Policy Act (NEPA) requirements, and Elective Pay registration and tax credit requirements.

6.2 Servicing. The Program Sponsor will utilize its own systems to service Qualified Loans and in some cases, a third party servicer will be engaged, as specified in Section 2.3. This servicing process will be reflective of the Program Sponsor establishing loan servicing guidelines on its own or in concert with a third-party loan servicer. The guidelines ensure proper management, compliance, and accountability of Program Sponsor funds. The guidelines cover the lifecycle of a loan, from origination to repayment, and will be tailored to the specific goals of the Program Sponsor, including loan disbursement, delinquency and default management, compliance and reporting, loan monitoring and oversight, and loan closure.

6.3 Review and Approval. All Participation and Co-Lending Loans will be subject to review by the Program Sponsor Board of Directors in accordance with the due diligence process outlined in Section 5.2 in order for disbursement to occur.

6.4 Bridge Loan Risk Exposure Limitations. The underwriting criteria for the EE RLF emphasize risk exposure limitations to ensure financial stability and program sustainability. A key metric is the Loan-to-Value (LTV) ratio, which is not to exceed the federal tax credits and/or Illinois Solar for All incentive, to limit exposure and ensure adequate collateral coverage.

The underwriting process also incorporates safeguards to ensure compliance with federal and state regulatory requirements, reducing the risk of ineligible costs or projects. Qualified Borrowers must provide evidence of submission of a Direct Pay application to the U.S. Treasury or a tax filing for tax credit eligibility, ensuring alignment with federal guidelines. If a loan includes Illinois Solar for All incentives, projects must also provide evidence of Part I approval from Illinois Solar for All. Projects must also meet utility-specific interconnection requirements, reducing the risk of delays or failures in project implementation. By adhering to these criteria, the EE RLF Program limits risk exposure while maintaining a focus on financially sustainable and compliant lending practices. This approach ensures that loans are extended to projects with a high likelihood of success, supporting the program’s long-term objectives.

6.5 Leverage Expectations. The use of leverage can serve several purposes for the EE RLF, including (a) providing loss coverage for its lending activities, (b) promote the participation of external private capital sources and (c) provide the possibility for Qualified Borrowers to access financing at lower interest rates and longer maturities than might be available in absence of leverage. The amount of leverage the EE RLF deploys will be subject to desired rating agency assessment of EE RLF issuance, desires of co-financiers, and operational risk management goals of the EE RLF.

6.6 Equitable Lending Practices. The Program Sponsor will make efforts to ensure its loan products, communications, application processes, approval process, and other elements of the EE RLF are designed to ensure benefits of the clean energy economy are equitably distributed and accessible to all, to support the achievements of the goals of the State of Illinois' Climate & Equitable Jobs Act, and to provide trustworthy and non-predatory access to financing options for non-profits, public entities, and other entities eligible for the EE RLF program.

6.7 Sponsor Rights. The Program Sponsor is committed to safeguarding the rights of Qualified Borrowers by ensuring a fair, transparent, and supportive lending process. Qualified Borrowers are entitled to clear loan terms, timely disbursement of funds, privacy and confidentiality, and access to financial and technical assistance. Additionally, the Program Sponsor will provide a robust appeals process and work collaboratively with borrowers to resolve disputes or address financial challenges, including during default and work-out scenarios. These rights are designed to foster successful project outcomes, build trust, and promote the long-term sustainability of the EE RLF program.

Section 7. Reporting On Qualified Project Loans

Section 7.1 Federal Reporting Compliance and Performance Metrics

The Program Sponsor (IFA) and Illinois EPA must provide the U.S. Department of Energy (DOE) with the program year metrics as outlined in Attachment B, in addition to meeting certain requirements specified in the Federal Reporting Checklist. These reporting metrics will track the EE RLF's program performance, project outcomes, and compliance with federal standards.

To ensure compliance with these reporting obligations, loan agreements will outline any additional reporting requirements that the Borrower must meet. These requirements may include, but are not limited to:

- Providing regular project updates including progress on construction milestones and energization dates;
- Project MWs installed, project MWh capacity, number of investment grade audits made, auditors projection of energy savings, square foot of building retrofits, capacity of ground source geothermal systems in tons, total project capacity in kWhs;
- Complying with specific performance indicators related to energy savings, emissions reduction, and community impact;
- Cumulative Energy Savings: Reporting on the total potential and actual energy savings identified and achieved through financed projects, as projected by investment-grade audits; and
- Additional documentation necessary to comply with federal reporting regulations and obligations.

Failure to meet these additional reporting obligations, as specified in the loan agreement, may result in penalties, including suspension or termination of loan agreements, repayment requirements, and disqualification from future participation in the EE RLF Program.The Program Sponsor (IFA) will monitor compliance with these reporting requirements throughout the loan.

A. **Project Management Reporting Obligation**. In addition to overseeing Borrower compliance, the Program Sponsor (IFA) will submit all required documentation to meet the Project Management Reporting Obligations outlined in the Federal Assistance Reporting Checklist. The reporting obligations include, but are not limited to:
    - SEP Progress Report to outline program advancements.
    - Financial Report (SF-425) providing comprehensive financial tracking.
    - Special Status Report addressing any exceptional conditions impacting the project.
    - Demographic Reporting to reflect the project's impact on various community segments.
    - Tangible Personal Property Report – Disposition Request/Report (SF-428 & SF-428C) covering project asset management.
    - Uniform Commercial Code (UCC) Financing Statements documenting secured interests.
    - Federal Subaward Reporting System (FSRS) submissions for transparency on subcontractor involvement.
    - Annual Incurred Cost Proposal ensuring accountability of financial performance.

- Single Audit submissions in accordance with 2 CFR Part 200 requirements.
- Tangible Personal Property Report – Final Report (SF-428 & SF-428B) for the proper closure of project property management.

Section 7.2 Financial reporting. The Program Sponsor (IFA) will be responsible for submitting quarterly financial reports on the EE RLF Program to ensure transparency, accountability, and compliance with federal requirements. Financial reporting will reference Attachment B for key performance metrics while incorporating additional financial details essential for program oversight.

A. **Quarterly Financial Reporting Requirements**. Each quarter the Program Sponsor will provide a comprehensive financial report covering the following elements:

   a. Program Income: Detailed statements on any income earned from fees, services performed, interest repaid, and principal repayments. All program income must be reinvested in the EE RLF Program in accordance with DOE regulations (2 CFR Part 200.307).

   b. Additional Capital Mobilized: Documentation of external capital leveraged through the program, highlighting private sector involvement and contributions from other financial partners if applicable.

   c. Loan Activity: A summary of loan products available (new and existing), updated interest rates, number of loans issued by type, number of loans repaid by type, and the number of loans defaulted by type. This information must also detail total loan values and repayment trends.

   d. Funds and Programs Leveraged: Updates on how the EE RLF Program has leveraged funds to expand clean energy initiatives, including partnerships and collaborations that enhance program reach.

   e. Leverage Ratio: An updated, approximate leverage ratio of the EE RLF Program, reflecting the proportion of additional capital mobilized relative to program funds.

B. **Borrower Financial Requirements.** Loan agreements will include provisions specifying any additional financial reporting requirements that Borrowers must meet. Failure by the Borrower to meet these financial reporting obligations, as specified in the loan agreement, may result in penalties, including suspension or termination of loan agreements, repayment requirements, and disqualification from future participation in the EE RLF Program. These may include:

   a. Regular financial updates demonstrating project progress, including construction milestones and energization dates.

   b. Reports detailing Qualified Borrowers Direct Pay tax credit applications, ITC filings, Illinois Solar for All approvals, and expected timelines for payment.

   c. Documentation related to operational costs, revenue streams, and any additional financing obtained during the project lifecycle.

C. **Program Sponsor (IFA) Responsibilities.** The Program Sponsor will monitor compliance with all financial reporting obligation, ensuring:

   a. Timely submission of quarterly financial reports to U.S. Department of Energy;

   b. Coordination with Technical Tax Consultant to confirm Direct Pay and ITC eligibility, and repayment schedules

   c. Review of program income, capital mobilization, and other financial metrics to support continuous program improvement and reinvestment

Section 7.2 Closeout Reporting. The federal character of this money will not remain in perpetuity. At the end of the EE RLF Program award to Illinois, a closeout agreement will be negotiated between U.S. DOE and Illinois EPA that will contain minimum terms for the continued use of the EE RLF Program funds, ensuring compliance with federal requirements and outlining any necessary reporting obligations for the post-award period.

Importantly, Qualified Project Loans made toward the end of the EE RLF Program will be structured with terms that account for the impending closeout. The Program Sponsor (IFA) will ensure that such loans have appropriate repayment schedules, reporting obligations, and compliance requirements designed to align with the overall closeout timeline. This consideration is critical to guarantee that all projects financed under the program can meet their milestones, reporting obligations, and repayment before the federal award period concludes.

These provisions will ensure transparency for the public and stakeholders, allowing the continued impact of the EE RLF Program to align with both state and federal clean energy goals even after the formal program period has ended.

Section 8. Remediation Of Qualified Project Bridge Loans

This Section is provided in the context of the Program Sponsor for Bridge Loans. For Co-Lending and Participation Loans, the Program Sponsor will unify its default and remediation activity in accordance with the private lender policies and transaction documents (e.g., subordination implications, intercreditor agreements, etc.)

Section 8.1 Expectations for recovery of principal for Bridge Loans.

Qualified Borrowers are expected to adhere to the repayment schedule outlined in their loan agreement. The Program Sponsor will support borrowers experiencing financial hardship, including modified payment plans and loan restructuring. In cases of default, the Program Sponsor will take appropriate actions to recover the principal, including collections efforts, collateral liquidation, and legal action. Efforts to recover all defaulted indebtedness will be subject to internal assessment of required cost of recovery and statistical likelihood of recovery amount, focusing on maintaining efficient EE RLF economic management. Write downs of a defaulting loan will occur only after assessment of prohibitive recovery cost.

Section 8.2 Work-out processes for Bridge Loans.

The Qualified Loan default work-out process begins with early intervention and proactive delinquency management. The Program Sponsor monitors loan payments and identifies delinquent accounts as soon as a payment is missed, notifying Qualified Borrowers immediately and offering a 15-day grace period for late payments without penalties. After this period, late fees may apply, and delinquent borrowers are provided access to financial counseling to help them resume timely payments. The Program Sponsor engages at-risk borrowers to discuss their financial situations, requiring them to submit a financial assessment to explore work-out options such as modified payment plans, loan restructuring, or temporary forbearance. These options may include reducing monthly payments, extending loan terms, or temporarily suspending payments, with interest potentially accruing during forbearance periods. Collateral is evaluated to cover losses, and borrowers may be required to liquidate non-essential assets to repay the loan, all while minimizing financial hardship and adhering to legal and program guidelines.

If a work-out plan is agreed upon, the Program Sponsor and the Qualified Borrower sign a formal agreement outlining revised terms, which the Program Sponsor monitors for compliance. Qualified Borrowers are given a final opportunity to cure defaults by paying the outstanding balance within a specified period (e.g., 30 days). If unsuccessful, the Program Sponsor initiates collections efforts, including notices, calls, and in-person visits, and may pursue legal action if necessary. Qualified Loans are deemed uncollectible after exhaustive efforts are written off, subject to board approval. Throughout the process, the Program Sponsor tracks and reports on default rates, work-out success rates, and recovery efforts to ensure the financial sustainability of the program and the effectiveness of its work-out processes. This comprehensive approach balances borrower support with rigorous financial management to maintain program integrity.

Section 8.3 IFA approvals of remediation for Bridge Loans.

All remediation plans for defaulting Qualified Loans must be reviewed and approved by the Program Sponsor as follows:

A. **Approval Authority.** The Program Sponsor's operational guidelines determine the hierarchy level of organizational management that must approve remediation plans for which loans, depending on loan terms and size of notional. For example, all remediation plans involving legal action, settlements, or collateral liquidation, especially on loans comprising 5% or more of EE RLF program capital, must be reviewed and approved by the program's legal counsel and board, whereas remediation plans exclusive of legal action can be overseen at lower levels of organizational management.

B. **Required Documentation.** The board may require the following non-exhaustive list of documentation to be submitted for review and approval of any remediation plan: Program Sponsor borrower Financial Assessment, Remediation Proposal, Remediation Plan Impact Analysis, and Qualified borrower Agreement.

C. **Approval Process.** The Remediation Plan must undergo the following steps: (1) Initial Review, where Program Sponsor management conducts an initial review of the defaulting loan and proposes a remediation plan; (2) Documentation Submission, where Program Sponsor management compiles and submits all required documentation to the appropriate approval authority (i.e., board and legal counsel); (3) Review and Approval, where Program Sponsor board and legal counsel review the remediation plan and supporting documentation, with approval being granted, denied, or returned for revisions; and (4) Implementation, where upon approval, Program Sponsor management implements the remediation plan and monitors the Qualified borrower's compliance.

Section 8.4 Notice requirements for Bridge Loans.

Notices must inform Qualified Borrowers of their obligations, the consequences of default, and available resolution options. For delinquencies, a written notice is sent within 15 days of a missed payment, detailing the past-due amount, due date, late fees, payment instructions, and contact information. If the payment remains overdue for more than 30 days, a second notice is sent, reminding the borrower of the delinquency, warning of potential default, and outlining work-out options like modified payment plans or forbearance. For defaults (90+ days past due), a formal notice is issued, stating the default, total amount due, demand for full payment, potential consequences (e.g., collateral liquidation, credit reporting, or legal action), and the borrower's right to request a work-out plan or appeal. Notices for work-out plans, collateral liquidation, or legal action are also provided, detailing terms, timelines, and borrower rights. Notices are delivered via first-class mail, email, certified mail, or in-person delivery, and borrowers must acknowledge receipt, which is documented and retained for at least five years.

The Program Sponsor ensures that all notices are delivered through appropriate methods, such as first-class mail, email, certified mail, or in-person delivery, depending on the situation. Qualified Borrowers are required to acknowledge receipt of notices, either in writing, electronically, or verbally, and these acknowledgments are recorded in their files. Detailed records of all notices, including delivery dates, methods, and content, are maintained for a minimum of five years after the loan is closed or resolved. This structured approach ensures transparency, compliance, and accountability in managing delinquencies and defaults while providing Qualified Borrowers with clear information and opportunities to resolve issues.

Section 9. Events Of Default For Qualified Project Loans

This Section is provided in the context of the Program Sponsor for Bridge Loans. For Co-Lending and Participation Loans, the Program Sponsor will unify its default and remediation activity in accordance with the private lender policies and transaction documents (e.g., subordination implications, intercreditor agreements, etc.)

Section 9.1 Events of Default. Each of the following events or occurrences shall constitute an event of default by EE RLF borrowers:

A. **Noncompliant Use of Funds:** A default occurs when the Qualified Borrower uses the loan funds for purposes other than those specified in the loan agreement. The funds must be used only for the intended purposes outlined in the loan documents.

B. **Payment Default:** A payment default happens when the Qualified borrower fails to make payments as required by the loan agreement. This includes not paying the principal amount on time, failing to pay interest or fees within 30 business days after they are due, or not paying any other required amount within 5 business days after it is due.

C. **Bankruptcy or Insolvency.** A default also occurs when the Qualified Borrower files for bankruptcy, insolvency, reorganization, or similar legal proceedings, or requests a receiver or trustee to take over their assets. Additionally, if the Qualified Borrower proposes a plan to settle or delay their debts, is involved in an involuntary bankruptcy case that is not resolved within 90 days, or assigns their assets to creditors to pay off debts, it will be considered a default.

D. **Failure to Meet Loan Terms.** If the Qualified Borrower fails to follow the terms, conditions, or agreements in the loan contract, it may be considered a default. If the issue can be fixed, the Qualified Borrower has 30 days to resolve it after they become aware of it or after being notified by the Program Sponsor. If the issue is more complex and cannot be fixed within 30 days, the Qualified Borrower may have an additional 30 days to resolve the issue, with best efforts applied. For other issues that are addressable, the borrower has 5 business days to resolve them after becoming aware or being notified. However, issues that do not significantly affect the loan or the Program Sponsor's obligations will not count as a default, as long as the borrower is working in good faith to find resolution.

E. **False Statements.** If any important information, promises, or statements made by the borrower (or on their behalf) are willfully incorrect or misleading when provided, it will be considered a default.

F. **Cross-Default.** If the borrower defaults on any other related agreements or documents, it will also count as a default under Qualified Borrower loan agreement.

Section 9.3 Remedies

A. **Non-Bankruptcy Defaults.** Upon the occurrence of an Event of Default not related to bankruptcy, a Qualified Project Loan agreement will specify that the Program Sponsor can:

   a. declare the principal and accrued interest of the Loan be immediately payable without further demand, presentment, protest or notice of any kind;

   b. enforce any and all rights and remedies available to it under the Loan Documents or applicable law; and

   c. cause all amounts due under the Loan to bear interest at the Default Rate as of the date the Event of Default occurred.

B. **Bankruptcy Defaults.** If a Qualified Project Loan defaults in relations to bankruptcy, both Loan principal and interest can be demanded immediately. Additionally, the Program Sponsor foregoes any obligations to extend further credit that may have been previously agreed upon. Additionally, the Program Sponsor can pursue any remedies it chooses under applicable law.

Section 10. Portfolio

Section 10.1 Balance of Qualified Projects.

The balance of Qualified Projects will depend significantly on availability of loan applications from various sectors, including nonprofit organizations, public entities, and for-profit entities (federal tax credit or Direct Pay eligible and Illinois Solar for All participants). As this program is targeted in its focus on energy technologies, the Program Sponsor will not establish any sector or technology concentration limits.

Section 10.2 Balance of Loan Types.

The Program Sponsor prioritizes recycling of lending resources in alignment with Section 11.3 below. As such, the Program Sponsor targets a mix of Bridge Loans to Co-Lending/Participation Loans of 70:30. Especially in the case of Co-Lending and Participation Loans, the achievement of this mix will prioritize risk management for the entire portfolio, especially since these loans are subject to greater amounts of repayment risk due to the longer maturities.

Section 10.3 Balance of Qualified Project Loan Borrowers and Concentration Risk.

To ensure the stability of the EE RLF, the Program Sponsor will maintain a balanced distribution of Qualified Project Loan Borrowers across different loan structures and risk profiles. The Program Sponsor relies on its underwriting and servicing policies that account for risks that manifest across borrower type to maintain an appropriate allocation across loan types to mitigate overall portfolio exposure. This allocation will prioritize supporting a mix of borrowers that will enable the Program Sponsor to reach desired leveraging goals while minimizing collateral encumbrance to satisfy current expected credit loss requirements. In cases of significant program concentration, the Program Sponsor will reallocate marketing and business-development resources to underrepresented sectors of the portfolio as an effort to achieve balance.

Section 10.4 Consistent Structures.

To support administrative efficiency, streamline lending approvals, and support capital mobilization, the Program Sponsor will use consistent loan structures across its Qualified Project Loan portfolio, and in alignment with industry best practices, including loan terms, application processes, documentation requirements, underwriting processes, payment structures, and performance reporting. A goal of this consistency is in service of easing the recycling of lending capital specified in Section 11.3. Consistency allows for streamlined management and evaluation of the underlying portfolio that will benefit seasoned loan purchasers.

Section 11. Capital Mobilization.

Section 11.1 General Expectations.

The authorizing statute for the program directs that the State shall leverage private capital to the maximum extent possible. The amount of leverage will reflect the credit loss coverage goals of the Program Sponsor, the target interest rate that needs to be achieved to enable attractive lending to borrowers, and to motivate private capital participation aligned with co-financier risk mitigation requirements.

Section 11.2 Participation Loan Guidance.

The Program Sponsor will manage the entrance into Loan participations with co-financiers based on its assessment of alignment along operational goals, and risk/return expectations. The optimal financier will have operating protocols that enable similar focus in sector, lending terms, and process expectations, especially relating to managing events of default. Special consideration will be given to co-financiers who have overlapping missions with the EE RLF, which then translates into flexibility when working together to create lending terms for Qualified Borrowers.

Section 11.3 Recycling Guidance.

Program lending will include structuring transactions that enable capital turnover via two primary mechanisms: shorter-maturity lending, which is a natural element of Bridge Loans, and loan documentation that increases the attractiveness and likelihood for sale into secondary markets (with or without securitization). For the former, short-term maturities decrease the timeframe for repayment and redeployment of capital. For the latter, documentation that includes favorable assignability language and easy transfer of risk mitigants will facilitate loan sales that generate proceeds to support further lending.

Section 12. Management Of Funds

Section 12.1 Management of Funds.

The Program Sponsor will interact with its established organizational structure to set policies and monitor EE RLF performance. Initial capitalization of EE RLF will be secured through multiple sources including grants, government allocations, or private investments. Loan repayments will be reinvested to maintain the fund's revolving nature and enable ongoing lending. The Program Sponsor may leverage high-interest, high-liquidity capital accounts to manage program funds. The Program Sponsor may, at its discretion, employ services of registered investment advisors (RIA) to manage the fund capital. The mandate of any RIA will be to maximize the return of invested funds while maintaining the necessary liquidity to fulfill loss coverage requirements.

Section 12.2 Separation from Other Funding Sources.

The Program Sponsor will work in close concert with its existing financial structures and any RIA resources to appropriately identify and segregate cash flows based on programming and utility. Significant focus will be given to preventing unspecified cross collateralization, adherence to utilization limitations provided by capital providers and regulatory compliance.

Section 12.3 Separation of Loan Repayments.

The approval process specified in Section 3 and Section 5 determines how Qualified Project Loans are issued and integrated into the servicing protocols. The Program Sponsor works closely with the servicer (internal or third-party) and its internal accounting functions to assure that allocation across business lines is appropriately segregated.

Attachment A : Information and Documentation Requirements for Qualified Borrowers

To ensure compliance with federal and state funding requirements, IFA as the Program Sponsor must collect and verify all information and documentation specified below from each Qualified Borrower before issuing a Qualified Project Loan:

(a) **General EE RLF Borrower Information:**

1. Legal Name of the borrower;
2. Unique Entity Identifier (EI) as assigned by SAM.go;
3. Checking *SAM.gov* Exclusions to ensure that Qualified Borrower is not suspended, debarred, or otherwise excluded from receiving Federal funds as required in 2 CFR 200.332;
4. Tax Identification Number (TIN) or Employer Identification number (EIN);
5. Business Structure (Corporation, LLC, nonprofit, Government Agency, etc.);
6. Registered Address and Principal Place of Business;
7. Contact Information for primary and secondary representatives; and
8. Ownership and Control Disclosure (including any individual or entities with significant control of the borrower entity).

(b) **Financial and Credit Documentation:**

1. Most Recent Two Years of Unaudited Financial Statements (or unaudited if not available for nonprofits or small business);
2. Project Financing Plan detailing how the Borrower will fund the full scope of the remaining project, including the requested loan;
3. Debt Schedule (if applicable) listing existing loans and financial obligations; and
4. Bank Statements from the past six months.
5. Proof of total project financing outside of the Bridge Loan

(c) **Project-Specific Documentation:**

1. Energy Audit with recommendations
2. Project Description and Scope of Work, included estimated or actual cost breakdowns
3. Engineering and Feasibility Studies;
4. Environmental and Permitting Documentation demonstrating compliance with local, state, and federal regulations;
5. Interconnection Agreements or Utility Approvals including the interconnection phase and upcoming interconnection studies;
6. Proof of Site Control, including lease agreements, ownership documents, or right-of-way approvals for land use;
7. Construction and Equipment Procurement Agreements and with timelines;
8. REC Agreements received (if applicable) under Illinois Shines or Illinois Solar For All;
9. State or Federal grant contracts received (if applicable); and
10. Direct Pay Eligibility Documentation including proof of eligibility for direct payments, estimated calculations of these payments, certification for eligibility of

other grants or incentives (if applicable). *This documentation may be supported by the Technical Tax Consultant*

(d) **Regulatory and Compliance Documentation:**

1. ICC, IPA or other State Certification for installers, Approved Vendors, or contractors associated with the project;
2. Contractor and Workforce Compliance Documentation including list of subcontractors and compliance documentation with Illinois programs;
3. Insurance Coverage Certification including general liability, worker's compensation, and project specific insurance requirements; and
4. Certificate of Good Standing from the Illinois Secretary of State.

Attachment B : Reporting and Metrics

The Program Sponsor is responsible for reporting at the following intervals and the following metrics, as applicable. Reporting will aggregate the results from all projects funded. Projects will only report on metrics applicable to their project, and need not have data to report on all metrics. For some, or many, categories, the metrics reported by the Program Sponsor may be zero.

Quarterly Reporting

General **(mandatory)**

For each loan issued:
- Entity Name
- Building Address(es)
- Counties
- Investment Amount
- Targeted Sector(s)

Metric Area 3: Energy Audits **(mandatory)**

3a. Energy audits, by sector
- Number of investment grade audits (IGAs) performed
- Number of non-investment grade audits (IGAs) performed
- Square footage of buildings/facilities audited
- Auditor’s projection of energy savings (kWh, therms, MMBTU, gallons of fuel, gallons of water)
- Average Daily Flow (MGD) of WWTF audited
- Number of projects started based on audits

Metric Area 4: Retrofits **(mandatory)**

4a. Buildings retrofitted, by sector
- Number of buildings retrofitted
- Square footage of buildings retrofitted
- Estimated project savings (kWh, therms, gallons of fuel, gallons of water, dollars)

4b. Building automation systems (BAS) installed, by sector
- Number of energy management systems installed
- Square footage of buildings with systems installed

4c. Street lights retrofitted
- Number of energy efficient streetlights installed
- Estimated project savings (kWh)

4d. Water conservation retrofits made, by sector

- Number of water conservation retrofits completed
- Number of water management systems installed

4e. Wastewater treatment facilities retrofitted

- Reduction in energy intensity (MMBTU/MG, MMBTU/kg BOD removed)

4f. Manufacturing re-tooling, process improvements

- Number of facilities with manufacturing space repurposed for clean energy products
- Square footage of manufacturing space repurposed for clean energy products
- Number of manufacturing lines retrofitted

4g. Energy, water saved, by sector

- Reduction in electricity consumption (MWh/year)
- Reduction in water consumption (gallons/day)
- Reduction in fuel oil consumption (gallons/year)
- Reduction in natural gas consumption (MMcf/year)
- Dollars saved

<u>Metric Area 7: Financial Instruments (if applicable)</u> *

7a. Financial incentives provided, by sector and incentive type
- Monetary value of financial incentives provided
- Total value of investments incentivized

7b. Existing or new financial programs utilized/created, by sector and program type

- Number of customers newly utilizing program
- Private dollars leveraged
- Total dollars invested as a result of financial mechanism
- Project energy, cost savings
- Number of financial programs developed or updated

7d. Energy savings performance contracts, by sector

- Number of contracts signed
- Dollar value of contracts signed
- Projected savings (kWh/year)

7e. Energy investment partnerships/green banks

- Number of projects funded
- Total monetary value of projects funded

<u>Metric Area 8: Renewable Energy Market Development (if applicable)</u>

8c. Ground source geothermal systems installed
- Number of ground source geothermal systems installed
- Total capacity of ground source geothermal systems installed (tons)

8e. Solar photovoltaic (PV) electric systems installed
- Number of solar PV electric systems installed
- Total capacity of solar PV electric systems installed (kW)

8g. Renewable thermal systems installed

- Number of solar thermal systems installed
- Total capacity of solar thermal systems installed (square feet)
- Number of other renewable thermal systems installed
- Total capacity of other renewable thermal systems installed (Btu/hr)

8h. Other renewable electric systems installed

- Number of other renewable systems installed
- Total capacity of other renewable systems installed (kW)

<u>Metric Area 10: Training and Education/Technical Assistance (if applicable)</u>

10a. Education and outreach conducted
- Number of contacts reached via webinars, site visits, fact sheets, or other
- Number workshops, training, and education sessions held
- Number of people attending workshops, training, and education sessions

10b. Technical assistance provided

- Number of participants

10c. Workforce development

- Number of people trained
- Number of professional certifications achieved
- Jobs retained (Full Time Equivalent)
- Jobs created (Full Time Equivalent)

<u>Metric Area 11: Other (administrative or energy storage systems, if applicable)</u>

11d. Energy storage systems
- Number of battery storage systems installed
- Total capacity of battery systems installed (kW)
- Number of thermal storage systems installed
- Total capacity of thermal storage systems (KBtu/hr)

11e. Combined heat and power (CHP)
- Number of CHP screenings completed
- Number of feasibility studies completed
- Number of CHP Systems installed (technology and/or fuel type)
- Capacity of CHP systems installed (MW)
- Thermal output of CHP systems installed

Upon IFA creating a loan that triggers the applicability of a metric area, that metric area becomes mandatory.

Quarterly Reporting Metrics:

- Number of stakeholder engagement and outreach events held
- Number of stakeholders contacted as a result of each event
- Number of comments received/questions asked as a result of each event
- Number of commenters at each event
- Loan products available (new and existing)
- Updated loan interest rate(s)
- Number of Loans issued by type (total and Equity Investment Eligible)
- Number of Loans repaid by type (total and Equity Investment Eligible)
- Number of Loans defaulted by type (total and Equity Investment Eligible)
- Funds and programs leveraged
- Updated, approximate leverage ratio of EE RLF Program
- Total EE RLF Program value
- Cumulative EE RLF Program potential energy savings identified by financed audits (total and Equity Investment Eligible)
- Cumulative EE RLF Program energy savings from completed, financed projects (total and Equity Investment Eligible)
- Jobs created (total and Equity Investment Eligible)

Annual Reporting

By August 20 of each year throughout the Term of the Agreement, IFA must submit cumulative annual reporting to Illinois EPA.

Two Year Program Reporting

No later than 23 months after the EE RLF Program grant is received by Illinois EPA, IFA must supply Illinois EPA with the following EE RLF Program information:
- The number of recipients to which IFA and its subcontractors and grantees have distributed:
    - EE RLF Program loans for:
        Commercial energy audits;
        Residential energy audits; and
        Energy upgrades and retrofits.

- Grants pursuant to the EE RLF Program.
- The average capital cost of upgrades and retrofits across all commercial energy audits and residential energy audits that were conducted in Illinois using loans provided by IFA pursuant to the EE RLF Program and this Agreement.

Attachment C: NEPA Determination

Attachment 6
DE-EE0010337.0000

PMC-ND
(1.08.09.13)

U.S. DEPARTMENT OF ENERGY
OFFICE OF ENERGY EFFICIENCY AND RENEWABLE ENERGY
NEPA DETERMINATION

RECIPIENT: State Energy Program-Office of State and Community Energy Program-Recipients with a Historic Preservation Programmatic Agreement

STATE: CO

PROJECT TITLE : State Energy Program Energy Efficiency Revolving Loan Fund Capitalization Grant Program - Administrative and Legal Requirements Document

Funding Opportunity Announcement Number	Procurement Instrument Number	NEPA Control Number	CID Number
SEP EE RLF-ALRD-2022A		GFO-SEP EE RLF-ALRD-2022A	

Based on my review of the information concerning the proposed action, as NEPA Compliance Officer (authorized under DOE Policy 451.1), I have made the following determination:

CX, EA, EIS APPENDIX AND NUMBER:

Description:

A9 Information gathering, analysis, and dissemination	Information gathering (including, but not limited to, literature surveys, inventories, site visits, and audits), data analysis (including, but not limited to, computer modeling), document preparation (including, but not limited to, conceptual design, feasibility studies, and analytical energy supply and demand studies), and information dissemination (including, but not limited to, document publication and distribution, and classroom training and informational programs), but not including site characterization or environmental monitoring. (See also B3.1 of appendix B to this subpart.)
A11 Technical advice and assistance to organizations	Technical advice and planning assistance to international, national, state, and local organizations.
B2.2 Building and equipment instrumentation	Installation of, or improvements to, building and equipment instrumentation (including, but not limited to, remote control panels, remote monitoring capability, alarm and surveillance systems, control systems to provide automatic shutdown, fire detection and protection systems, water consumption monitors and flow control systems, announcement and emergency warning systems, criticality and radiation monitors and alarms, and safeguards and security equipment).
B5.1 Actions to conserve energy or water	(a) Actions to conserve energy or water, demonstrate potential energy or water conservation, and promote energy efficiency that would not have the potential to cause significant changes in the indoor or outdoor concentrations of potentially harmful substances. These actions may involve financial and technical assistance to individuals (such as builders, owners, consultants, manufacturers, and designers), organizations (such as utilities), and governments (such as state, local, and tribal). Covered actions include, but are not limited to weatherization (such as insulation and replacing windows and doors); programmed lowering of thermostat settings; placement of timers on hot water heaters; installation or replacement of energy efficient lighting, low-flow plumbing fixtures (such as faucets, toilets, and showerheads), heating, ventilation, and air conditioning systems, and appliances; installation of drip-irrigation systems; improvements in generator efficiency and appliance efficiency ratings; efficiency improvements for vehicles and transportation (such as fleet changeout); power storage (such as flywheels and batteries, generally less than 10 megawatt equivalent); transportation management systems (such as traffic signal control systems, car navigation, speed cameras, and automatic plate number recognition); development of energy-efficient manufacturing, industrial, or building practices; and small-scale energy efficiency and conservation research and development and small-scale pilot projects. Covered actions include building renovations or new structures, provided that they occur in a previously disturbed or developed area. Covered actions could involve commercial, residential, agricultural, academic, institutional, or industrial sectors. Covered actions do not include rulemakings, standard-settings, or proposed DOE legislation, except for those actions listed in B5.1(b) of this appendix. (b) Covered actions include rulemakings that establish energy conservation standards for consumer products and industrial equipment, provided that the actions would not: (1) have the potential to cause a significant change in manufacturing infrastructure (such as construction of new manufacturing plants with considerable associated ground disturbance); (2) involve significant unresolved conflicts concerning alternative uses of available resources (such as rare or limited raw materials); (3) have the potential to result in a significant increase in the disposal of materials posing significant risks to human health and the environment (such as RCRA hazardous wastes); or (4) have the potential to cause a significant increase in energy consumption in a state or region.
B5.14 Combined heat and power or cogeneration systems	Conversion to, replacement of, or modification of combined heat and power or cogeneration systems (the sequential or simultaneous production of multiple forms of energy, such as thermal and electrical energy, in a single integrated system) at existing facilities, provided that the conversion, replacement, or modification would not have the potential to cause a significant increase in the quantity or rate of air emissions and would not have the potential to cause significant impacts to water resources.

B5.16 Solar photovoltaic systems	The installation, modification, operation, and removal of commercially available solar photovoltaic systems located on a building or other structure (such as rooftop, parking lot or facility, and mounted to signage, lighting, gates, or fences), or if located on land, generally comprising less than 10 acres within a previously disturbed or developed area. Covered actions would be in accordance with applicable requirements (such as local land use and zoning requirements) in the proposed project area and would incorporate appropriate control technologies and best management practices.
B5.17 Solar thermal systems	The installation, modification, operation, and removal of commercially available smallscale solar thermal systems (including, but not limited to, solar hot water systems) located on or contiguous to a building, and if located on land, generally comprising less than 10 acres within a previously disturbed or developed area. Covered actions would be in accordance with applicable requirements (such as local land use and zoning requirements) in the proposed project area and would incorporate appropriate control technologies and best management practices.

Rationale for determination:

The U.S. Department of Energy (DOE) administers the annually appropriated State Energy Program (SEP) as authorized by Title III, Energy Policy and Conservation Act, as amended. The goal of the SEP is to provide leadership to maximize the benefits of energy efficiency and renewable energy through communications and outreach activities, technology deployment, and new partnerships and resources.

Under the State Energy Program Energy Efficiency Revolving Loan Fund Capitalization Grant Program, formula grants would be provided as outlined in the Administrative Legal Requirements Document (ALRD) Program Year 2022, (SEP EE RLF-ALRD-2022) in order to conduct energy audits, energy efficiency upgrades, and building retrofits to both residential and commercial buildings.

This NEPA determination is specific to the 55 SEP Recipients* with a DOE executed Historic Preservation Programmatic Agreement for activities that are funded by the SEP EE RLF-ALRD 2022. The SEP Recipient without a DOE executed Historic Preservation Programmatic Agreement has a separate NEPA determination: GFO-SEP EE RLF-ALRD 2022B.

DOE has determined the following Allowable Activities that are funded by SEP- EE RLF-ALRD-2022 are categorically excluded from further NEPA review, absent extraordinary circumstances, cumulative impacts, or connected actions that may lead to significant impacts on the environment, or any inconsistency with “integral elements” (as contained in 10 CFR Part 1021, Appendix B) as they relate to a particular project.

Activities on tribal lands or tribal properties are restricted to homes/buildings less than forty-five (45) years old and without ground disturbance. Recipients may contact their Project Officer for a Historic Preservation Worksheet to request a review of activities that are listed below on tribal homes/buildings forty-five (45) years and older. Approval from DOE NEPA is required prior to initiating activities reviewed on a Historic Preservation Worksheet.

Allowable Activities:
1. Administrative activities associated with management of the designated State Energy Office and management of funds from SEP EE RLF-ALRD 2022 to encourage energy efficiency and renewable energy.

2. Development and implementation of outreach strategies for efforts funded by SEP EE RLF-ALRD 2022 to encourage energy efficiency and renewable energy including facility energy audits.

3. Development and implementation of programs and strategies to encourage energy efficiency and renewable energy such as policy development and stakeholder engagement.

4. Implementation of financial incentive programs including rebates and energy savings performance contracts for existing facilities including grants and loan programs to support energy efficiency, renewable energy and energy/water saving projects. All project activities funded under a financial incentive program must be listed within this NEPA determination.

5. Residential and commercial energy analysis and monitoring, including energy use assessments involving building monitoring equipment and smart thermostats.

6. Installation of commercially available retrofit/upgrade measures to improve air quality, energy, and/or water efficiency in existing buildings or facilities of the eligible Recipient, based on energy audit recommendations, provided that projects adhere to the requirements of the respective state’s DOE executed Historic Preservation PA, are appropriately sized, no trees are removed or trimmed, and are limited to:
a. Insulation applied to building structures, ducts, hot water heater tanks, and heating pipes.
b. Air sealing applied to building structures and/or ducts.
c. Programmable and smart thermostats.
d. Installation of energy efficient lighting.

e. Upgrading, retrofitting, tuning, repairing, and/or replacing of existing heating, ventilation, and air conditioning (HVAC) equipment.
f. Repairing and/or replacing water heating system equipment.
g. Energy or water monitoring and control systems.
h. Retrofitting, repairing, and/or replacing of windows and doors, including installation of energy efficient storm windows and energy-saving window attachments.
i. Retrofitting or replacing of energy efficient pumps and motors for uses such as wastewater treatment plants, where it would not alter the capacity, use, mission, or operation of an existing facility.
j. Installation of Combined Heat and Power System—systems sized appropriately for the buildings in which they are located, not to exceed peak electrical production at 300kW).

7. Development, implementation, and installation of onsite renewable energy/energy efficiency technology, provided that activities adhere to the requirements of the respective state's DOE executed Historic Preservation PA, are installed in or on an existing structure, do not require ground disturbance, no trees are removed or trimmed, are appropriately sized, and are limited to:
a. Solar Electricity/Photovoltaic—not to exceed 60 kW.
b. Installing and/or repairing solar thermal systems, including solar thermal hot water systems that are 200,000 BTU/hour or smaller in size.

8. Installing, repairing, or optimizing use of energy storage systems, including electrochemical and thermal storage systems, provided that projects adhere to the requirements of the respective state's DOE executed Historic Preservation PA are installed in or on an existing structure, do not require ground disturbance, no trees are removed or trimmed, and are appropriately sized not to exceed 1,000 kWh.

Recipients shall adhere to the restrictions of their DOE executed Historic Preservation Programmatic Agreement. The restrictions of the Allowable Activities must be followed.

All incidental measures relating to hazardous materials identified during the SEP activities would be managed in accordance with applicable federal, state, and local requirements.

Quarterly NEPA logs will not be required with this NEPA determination. Recipients and subrecipients that are 3rd party administrators, if applicable, are responsible for completing the online NEPA and Historic preservation training at www.energy.gov/node/4816816 and contacting NEPA with any questions GONEPA@ee.doe.gov.

The Recipient is responsible for identifying and promptly notifying DOE of extraordinary circumstances, cumulative impacts, or connected actions that may lead to significant impacts on the environment, or any inconsistency with the "integral elements" (as contained in 10 CFR Part 1021, Appendix B) relating to any proposed activities. Additionally, the Recipient must demonstrate compliance with Section 106 of the National Historic Preservation Act (NHPA).

Recipients shall adhere to the restrictions of their DOE executed Historic Preservation Programmatic Agreement. DOE executed historic preservation programmatic agreements are available on the Weatherization and Intergovernmental Programs website: https://www.energy.gov/eere/wipo/historic-preservation-executed-programmatic-agreements.

DOE is required to consider floodplain management and wetland protection as part of its environmental review process (10 CFR 1022). As part of this required review, DOE determined requirements set forth in Subpart B of 10 CFR 1022 are not applicable to the activities described above that would occur in the 100-year floodplain (hereinafter "floodplain") or wetland because the activities would not have short-term or long-term adverse impacts to the floodplain or wetland. These activities are administrative or minor modifications of existing facilities to improve environmental conditions. All other integral elements and environmental review requirements are still applicable.

For activities requiring additional NEPA review, Recipients must complete the environmental questionnaire (found at https://www.eere-pmc.energy.gov/NEPA.aspx) for review by DOE.

Most activities listed under "Allowable Activities" are more restrictive than the Categorical Exclusion. The restrictions must be followed for the Allowable Activities to be applicable.

* SEP Recipients with a historic preservation programmatic agreement: AL, AK, AS, AZ, AR, CA, CO, CT, DE, DC,FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MP, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH,OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY, and VI.

NEPA PROVISION

DOE has made a conditional NEPA determination.

The NEPA Determination applies to the following Topic Areas, Budget Periods, and/or tasks:

This NEPA Determination only applies to activities funded by the Administrative and Legal Requirements Document for the State Energy Program Energy Efficiency Revolving Loan Fund Capitalization Grant Program. Recipients must have a DOE executed Historic Preservation Programmatic Agreement.

The NEPA Determination does not apply to the following Topic Area, Budget Periods, and/or tasks:

This NEPA Determination does NOT apply to activities funded by sources other than the Administrative and Legal Requirements Document for the State Energy Program Energy Efficiency Revolving Loan Fund Capitalization Grant program, or activities that do not fit within the restrictions of the Allowable Activities listed above, or to Recipients that do not have a DOE executed Historic Preservation Programmatic Agreement.

Include the following condition in the financial assistance agreement:

Activities/projects not listed under "Allowable Activities" are subject to additional NEPA review and approval by DOE. For activities/projects requiring additional NEPA review, Recipients must complete the environmental questionnaire (https://www.eere-pmc.energy.gov/NEPA.aspx) and receive notification from DOE that the NEPA review has been completed with an approval letter from the Contracting Officer prior to initiating the project or activities.

1. This NEPA Determination only applies to activities funded by the Administrative and Legal Requirements Document for the State Energy Program Energy Efficiency Revolving Loan Fund Capitalization Grant Program.

2. Activities not listed under "Allowable Activities" including ground disturbing activities, activities on tribal properties older than forty-five (45) years old, and tree removal or tree trimming, are subject to additional NEPA review and approval by DOE. For activities requiring additional NEPA review, Recipients must complete the environmental questionnaire found at https: //www.eere-pmc.energy.gov/NEPA.aspx and receive notification from DOE that the NEPA review has been completed with an approval from the Contracting Officer prior to initiating the project or activities.

3. This authorization does not include activities where the following elements exist: extraordinary circumstances; cumulative impacts or connected actions that may lead to significant effects on the human environment; or any inconsistency with the "integral elements" (as contained in 10 CFR Part 1021, Appendix B) as they relate to a particular project.

4. The Recipient must identify and promptly notify DOE of extraordinary circumstances, cumulative impacts or connected actions that may lead to significant effects on the human environment, or any inconsistency with the “integral elements” (as contained in 10 CFR Part 1021, Appendix B) as they relate to project activities.

5. Recipients must have a DOE executed Historic Preservation Programmatic Agreement and adhere to the terms and restrictions of its DOE executed Historic Preservation Programmatic Agreement. DOE executed Historic Preservation Programmatic Agreements are available on the Weatherization and Intergovernmental Programs website: https://www.energy.gov/eere/wipo/historic-preservation-executed-programmatic-agreements.

6. Most activities listed under "Allowable Activities" are more restrictive than the Categorical Exclusion. The restrictions listed in the "Allowable Activities" must be followed.

7. Recipients and subrecipients that are 3rd party administrators, if applicable, are responsible for reviewing the online NEPA and Historic preservation PowerPoint trainings at www.energy.gov/node/4816816 and contacting NEPA with any questions at GONEPA@ee.doe.gov.

8. This authorization excludes any activities that are otherwise subject to a restriction set forth elsewhere in the Award.

Notes:

Office of State and Community Energy Programs – State Energy Programs
(State Energy Program Transformation & Planning)
This NEPA Determination requires legal review of the tailored NEPA provision.
NEPA review completed by Diana Heyder on 11/15/2022.

FOR CATEGORICAL EXCLUSION DETERMINATIONS

The proposed action (or the part of the proposal defined in the Rationale above) fits within a class of actions that is listed in Appendix A or B to 10 CFR Part 1021, Subpart D. To fit within the classes of actions listed in 10 CFR Part 1021, Subpart D, Appendix B, a proposal must be one that would not: (1) threaten a violation of applicable statutory, regulatory, or permit requirements for environment, safety, and health, or similar requirements of DOE or Executive Orders; (2) require siting and construction or major expansion of waste storage, disposal, recovery, or treatment facilities (including incinerators), but the proposal may include categorically excluded waste storage, disposal, recovery, or treatment actions or facilities; (3) disturb hazardous substances, pollutants, contaminants, or CERCLA-excluded petroleum and natural gas products that preexist in the environment such that there would be uncontrolled or unpermitted releases; (4) have the potential to cause significant impacts on environmentally sensitive resources, including, but not limited to, those listed in paragraph B(4) of 10 CFR Part 1021, Subpart D, Appendix B; (5) involve genetically engineered organisms, synthetic biology, governmentally designated noxious weeds, or invasive species, unless the proposed activity would be contained or confined in a manner designed and operated to prevent unauthorized release into the environment and conducted in accordance with applicable requirements, such as those listed in paragraph B(5) of 10 CFR Part 1021, Subpart D, Appendix B.

There are no extraordinary circumstances related to the proposed action that may affect the significance of the environmental effects of the proposal.

The proposed action has not been segmented to meet the definition of a categorical exclusion. This proposal is not connected to other actions with potentially significant impacts (40 CFR 1508.25(a)(1)), is not related to other actions with individually insignificant but cumulatively significant impacts (40 CFR 1508.27(b)(7)), and is not precluded by 40 CFR 1506.1 or 10 CFR 1021.211 concerning limitations on actions during preparation of an environmental impact statement.

The proposed action is categorically excluded from further NEPA review.

SIGNATURE OF THIS MEMORANDUM CONSTITUTES A RECORD OF THIS DECISION.

NEPA Compliance Officer Signature: Electronically Signed By: Andrew Montano Date: 12/13/2022

NEPA Compliance Officer

FIELD OFFICE MANAGER DETERMINATION

☑ Field Office Manager review not required
☐ Field Office Manager review required

BASED ON MY REVIEW I CONCUR WITH THE DETERMINATION OF THE NCO :

Field Office Manager's Signature: ______________________ Date: ____________

Field Office Manager