Public Service Commission of Wisconsin

Summer Strand, Chairperson
Kristy Nieto, Commissioner
Marcus Hawkins, Commissioner

4822 Madison Yards Way
P.O. Box 7854
Madison, WI 53707-7854

November 15, 2024

To the Parties:

Re: Energy Efficiency Revolving Loan Capitalization Grant Program Funded by the Infrastructure Investment and Jobs Act in a Department of Energy Grant — 9715-FG-2023

Comments Due:	Address Comments To:
Monday, December 9, 2024 - 1:30 PM	Public Service Commission P.O. Box 7854 Madison, WI 53707-7854
This docket uses the Electronic Records Filing system (ERF).	

The Public Service Commission (Commission) memorandum concerning its consideration of the Energy Efficiency Revolving Loan Fund Capitalization Grant Program (EE RLF) design and budget is being provided for public comment. Comments must be received by **1:30 pm CT on Monday, December 9, 2024**.

Party comments must be filed using the Commission's Electronic Records Filing (ERF) system. Members of the public may also file comments through the Commission's website. Click on the "File a Comment" button at the bottom of the website home page. On the public comments page, click on the "file a comment" hyperlink associated with docket 9715-FG-2023. All comments will be posted to the Commission's Electronic Records Filing System (ERF).

Please direct questions about this docket or requests for additional accommodations for the disabled to the Commission's docket coordinator, Nick Labinski at (608) 267-7854 or nicholas.labinski@wisconsin.gov.

Sincerely,

Joe Fontaine
Administrator
Division of Digital Access, Consumer and Environmental Affairs

JF:NL:kle:bs DL:02035593

Attachment: Commission Memorandum

PUBLIC SERVICE COMMISSION OF WISCONSIN
Memorandum

November 15, 2024

FOR COMMISSION AGENDA

TO: The Commission

FROM: Joe Fontaine, Administrator
Tara Kiley, Deputy Administrator
Joe Pater, Director, Office of Energy Innovation
Olivia Shanahan, Supervisor, State Energy Office
Nick Labinski, Stakeholder Engagement Lead
Division of Digital Access, Consumer and Environmental Affairs

RE: Energy Efficiency Revolving Loan Fund Capitalization Grant Program Funded by the Infrastructure Investment and Jobs Act in a U.S. Department of Energy Grant — 9715-FG-2023

Suggested Minute: The Commission [authorized/authorized with conditions/did not authorize] a passthrough grant via a loan administration and underwriting services Memorandum of Understanding to the Wisconsin Economic Development Corporation for the Energy Efficiency Revolving Loan Fund Capitalization Grant Program funds.

Background

The Public Service Commission of Wisconsin's (Commission) Office of Energy Innovation (OEI) administers and implements innovative and effective energy planning, policy, and programming to benefit Wisconsin's citizens and businesses, and is Wisconsin's designated State Energy Office (SEO) under Wis. Stat. § 196.025(7). The Energy Efficiency Revolving Loan Fund Capitalization Grant Program (EE RLF) is a State Energy Program (SEP) grant program funded by the Infrastructure Investment and Jobs Act of 2021 (IIJA) that enables States including Wisconsin to capitalize revolving loan funds for energy audits, upgrades, and retrofits of residential and commercial building infrastructure. As the designated SEO, the OEI is the recipient of SEP funds through multiple programs, including the EE RLF.

While day-to-day oversight relating to the handling of existing loans is delegated to the Delegated Commissioner for OEI under Delegation Item #128 (PSC REF#: 470541), the full Commission approves the scope of any new loan program. The purpose of this memorandum is to determine whether deployment of EE RLF funds should occur through an option identified to establish a partnership with the Wisconsin Economic Development Corporation (WEDC) for deployment of the funds through WEDC's Green Innovation Fund (GIF), or if the SEO should pursue a different method to implement these programs.

EE RLF Background

On November 15, 2021, the U.S. Congress enacted the IIJA, also known as the Bipartisan Infrastructure Law (BIL).[1] The IIJA included significant energy provisions and funding for energy-related programming. Section 40502 of IIJA required the U.S. Department of Energy (U.S. DOE) to establish the EE RLF under the SEP and authorized the appropriation of $250 million to carry out the program. Of the $250 million allocated by IIJA for the program, 40 percent will be provided to States according to the SEP formula described in 10 CFR Part 420.11[2] and the remaining 60 percent of funding will be allocated to a set of Priority States, as defined in Section 40501 of IIJA, which does not include Wisconsin.[3] The U.S. DOE initially announced an allocation of $1,881,930 for Wisconsin.[4] On October 2, 2023, the U.S. DOE provided updated allocation amounts from redistributed funds that other states opted not to claim, increasing Wisconsin's allocation to $1,911,700. In late summer 2024, the U.S. DOE informed Commission staff due to additional states declining EE RLF funding, there will be

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[1] *See*: Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (2021), https://www.congress.gov/117/plaws/publ58/PLAW-117publ58.pdf.
[2] *See*: eCFR :: 10 CFR 420.11 -- Allocation of funds among the States.
[3] *See*: https://www.energy.gov/scep/articles/state-energy-program-ee-rlf-iija-application-instructions
[4] *See*: EE RLF IIJA Formula Allocations (energy.gov).

additional increases in Wisconsin's allocation. The amount of additional funds is not known at this time, but the U.S. DOE has stated that it anticipates providing notification of final EE RLF award "plus-up" amounts in early 2025.

On May 26, 2023, Commission staff, under the direction of the Delegated Commissioner, submitted the necessary filings to apply for Wisconsin's EE RLF allocation. The application discussed multiple potential pathways for use of the EE RLF funds, retaining flexibility for a longer period of program development and stakeholder engagement after submission of the application, and noted that a final decision on the grant's implementation would be made by the Commission. Since the early stages of development of the application, Commission staff has connected with subject matter experts in residential and commercial loan programs, and energy and economic development programming. Commission staff has also coordinated with U.S. DOE to make use of its technical assistance on the EE RLF.

One potential pathway identified in the initial application was to explore deployment of the EE RLF funding in the context of Governor Evers' Executive Order #195, signed in April 2023, which established the Green Ribbon Commission on Clean Energy and Environmental Innovation to advise on the creation of the GIF. EE RLF was recognized as a potential source of federal funding to support the GIF, and the application indicated that further exploration of that strategy could take place in conjunction with the ongoing deliberations of the Green Ribbon Commission. Based on the continued work of the Green Ribbon Commission, the broader engagement that has taken place since application submission, and U.S. DOE requests earlier in 2024 for further clarification and specification of the OEI's plan for the funds, Commission staff have identified the GIF pathway as a primary option for Commission consideration. Staff have worked with WEDC, the entity responsible for administration of the GIF, to develop a more detailed proposal for EE RLF fund deployment to inform the Commission's determination of whether to pursue this pathway.

Federal Program Design Requirements

This section provides an overview of federal program design requirements for EE RLF established by Section 40502 of IIJA as well as U.S. DOE guidance provided in the EE RLF Application Instructions,[5] Administrative and Legal Requirements Document (ALRD),[6] and Frequently Asked Questions documents.[7,8]

EE RLF Goals

U.S. DOE Application Instructions provide that the goals of the EE RLF program are for states to establish sustainable RLFs and provide funds for "energy audits, upgrades, and retrofits that will create good-paying jobs, cut greenhouse gas emissions, and reduce energy costs, particularly for small businesses and energy-burdened homeowners." The program has three primary objectives:

- to maximize loan volume and leveraging private capital,
- accelerate and maximize energy savings and create good paying jobs, and
- support the Justice40 Initiative.[9]

[5] EE RLF IIJA Application Instructions (energy.gov), https://www.energy.gov/sites/default/files/2022-11/EE-RLF-IIJA-Application-Instructions_0.pdf.
[6] https://www.energy.gov/sites/default/files/2022-11/EE-RLF-IIJA-Administrative-and-Legal-Requirements-Document.pdf
[7] https://www.energy.gov/sites/default/files/2024-03/rlf-faqs_mar2024.pdf
[8] https://www.energy.gov/sites/default/files/2023-07/BIL-FAQ-Final.pdf
[9] ttps://www.energy.gov/scep/articles/state-energy-program-ee-rlf-iija-application-instructions

Eligible Recipients

Eligible recipients of loans are defined in Sections 40502(e)(2)(A)(iv) and 40502(e)(2)(B)(iv) of IIJA and include both commercial and residential customers, subject to the further conditions outlined in Table 1.[10]

Table 1: EE RLF Commercial and Residential Eligibility

Type of Assistance	Building Sub-Sector	Eligible Recipient(s)
Loans	Commercial[4] (Includes publicly and privately owned buildings)	A business that satisfies both of the following: • Conducts a majority of its business in the state that provides the loans. • Owns or operates one or more commercial buildings or commercial space within a building that serves multiple functions, such as a building for commercial and residential operations.
	Residential[5]	An individual who owns one of the following: • A single family home. • A condominium or duplex. • A manufactured housing unit. A business that owns or operates a multifamily housing facility.
Grants and Technical Assistance	Commercial[6]	A business that meets both criteria to receive loans (see above) and has fewer than 500 employees.
	Residential[7]	A low-income individual that owns a residential building.[8]

Types of Assistance

Pursuant to Section 40502(e) of IIJA, a State that receives a capitalization grant under the EE RLF must provide loans in accordance with Paragraph 2, and may use up to 25 percent of its grant funds to provide subrecipient grants and technical assistance in accordance with Paragraph 3. Outside of providing loans, other eligible uses for funds may take the form of loan loss reserves, interest rate buy-downs, and similar credit enhancements.[11,12]

[10] Frequently Asked Questions About Revolving Loan Fund Capitalization Grant Program (energy.gov) at Table 1, https://www.energy.gov/sites/default/files/2023-07/BIL-FAQ-Final.pdf.

[11] Frequently Asked Questions About Revolving Loan Fund Capitalization Grant Program (energy.gov), https://www.energy.gov/sites/default/files/2023-07/BIL-FAQ-Final.pdf.

[12] These other enhancements are defined and described here: https://www.energy.gov/sites/prod/files/2014/06/f16/credit_enhancement_guide.pdf

The U.S. DOE has encouraged States to leverage private capital to the maximum extent possible.[13] States may co-lend EE RLF funds with financial institutions, endowments, and philanthropic organizations.[14] Within a co-loan context, private capital is not subject to federal requirements. Non-federal funds should be maintained and accounted for separately from federal funds. States may sell loans or a loan portfolio to the secondary market. States retain responsibility for federal reporting and compliance. Other than the 25 percent cap on use of funds for grants and 10 percent cap on use of funds for administrative expenses, there are no loan or grant size limitations. The U.S. DOE has provided guidance that it anticipates that States will use the 25 percent grant/technical assistance funds primarily to cover the cost of energy efficiency audits.[15]

Elements of Qualifying Energy Efficiency Audits and Upgrades

The key elements of audits and upgrades/retrofits in commercial and residential buildings financed by loans provided under the EE RLF are described in Sections 40502(e)(2)(A), (B), and (C) of IIJA. These elements also apply to audits and upgrades/retrofits financed by grants, per Section 40502(e)(3)(A) of IIJA.

Commercial Energy Audits

Under Section 40502(e)(2)(A)(ii) of IIJA, a commercial energy audit conducted with financial support from EE RLF must:

- Determine the overall consumption of energy of the facility of the eligible recipient;
- Identify and recommend lifecycle cost-effective opportunities to reduce energy consumption of the facility through energy efficient lighting; heating, ventilation,

[13] EE RLF IIJA Application Instructions (energy.gov) at Section 4.1(1), https://www.energy.gov/scep/articles/state-energy-program-ee-rlf-iija-application-instructions.
[14] *Id.* at Section 6.4 F.
[15] See p. 14 Question #7: rlf-faqs_mar2024.pdf (energy.gov)

and air conditioning systems (HVAC); windows; appliances; and insulation and building envelopes;

- Estimate the energy and cost savings potential of these improvements using software approved by the U.S. DOE;

- Identify a period of peak demand for each building within the facility of the eligible recipient; and the sources of energy consumption that are contributing to peak demand;

- Recommend controls and management systems to reduce or redistribute peak energy consumption; and

- 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 the U.S. DOE.

Additionally, under Section 40502(e)(2)(A)(iii) of IIJA, a commercial energy audit conducted using a loan provided under EE RLF may recommend strategies to increase energy efficiency of the facility of the eligible recipient through use of electric systems or other high-efficiency systems utilizing fuels, including natural gas and hydrogen.

Residential Energy Audits

Under Section 40502(e)(2)(B)(ii) of IIJA, a residential energy audit conducted with financial support from EE RLF must:

- Utilize the same evaluation criteria as the Home Performance Assessment used in the Energy Star program established under section 324A of the Energy Policy and Conservation Act;[16]

- Recommend lifecycle cost-effective opportunities to reduce energy consumption of the facility through energy efficient lighting; HVAC; windows; appliances; and insulation and building envelopes;

- Recommend controls and management systems to reduce or redistribute peak energy consumption;

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[16] 42 USC 6294a: Energy Star program (house.gov): https://uscode.house.gov/view.xhtml?req=(title:42%20section:6294a%20edition:prelim)

- Compare the energy consumption of the residential building of the eligible recipient to comparable residential buildings in the same geographic area; and

- Provide a Home Energy Score, or equivalent score (as determined by the U.S. DOE), for the residential building of the eligible recipient by using the Home Energy Score Tool of the Department or an equivalent scoring tool.

Additionally, under Section 40502(e)(2)(B)(iii) of IIJA, a residential energy audit conducted using a loan provided under EE RLF may recommend strategies to increase energy efficiency of the facility of the eligible recipient through use of electric systems or other high-efficiency systems utilizing fuels, including natural gas and hydrogen.

Commercial and Residential Energy Upgrades and Retrofits

Under Section 40502(e)(2)(C)(ii) of IIJA, eligible recipients may use a loan to conduct an energy upgrade or retrofit if they have completed a commercial or residential energy audit described above that was funded by the EE RLF or have completed a commercial or residential energy audit that was not funded by the EE RLF and meets the requirements for the applicable audit as described above.

For both commercial and residential, a State EE RLF may provide a loan to support upgrades and retrofits of building infrastructure and systems that:

- Are recommended in the commercial energy audit or residential energy audit, as applicable, completed for the building or facility of the eligible recipient;

- Improve, with respect to the building or facility of the eligible recipient:

    - the physical comfort of the building or facility occupants;

    - the energy efficiency of the building or facility; or

    - the quality of the air in the building or facility; and

- Are lifecycle cost-effective; and

    - reduce the energy intensity of the building or facility of the eligible recipient; or

- improve the control and management of energy usage of the building or facility to reduce demand during peak times.

Additionally, for residential upgrades and retrofits only,[17] the upgrade or retrofit must satisfy at least one of the criteria in the Home Performance Assessment used in the Energy Star program established under section 324A of the Energy Policy and Conservation Act (42 U.S.C. 6294a).[18]

Justice40 Initiative

The EE RLF Program is covered by the Justice40 Initiative,[19] which provides a goal of 40 percent of the overall benefits of certain clean energy and climate solutions flowing to disadvantaged communities (DACs). The U.S. DOE encourages states to design EE RLF offerings that can serve disadvantaged populations including households with higher-than-average energy burden as well as small businesses, including the development and maintenance of procedures and systems that can easily track what benefits are flowing to specific communities or locations (e.g., connecting benefits accrued with zip codes, and/or census tracts). The OEI has established methods for collecting data on benefits to DAC census tracts in grant programs such as the Rural Energy Startup Program, the Energy Innovation Grant Program, and the Wisconsin Grid Resilience Grant Program.

Federal Flow-down Provisions

National Environmental Policy Act (NEPA)

The EE RLF is subject to NEPA requirements to assess environmental effects and protect against negative environmental impacts from federally funded projects. Initial guidance issued

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[17] This requirement was interpreted as applicable only for residential upgrades and retrofits in the U.S. DOE Application Instructions. EE RLF IIJA Application Instructions (energy.gov), https://www.energy.gov/sites/default/files/2022-11/EE-RLF-IIJA-Application-Instructions_0.pdf.

[18] See: 42 U.S. Code § 6294a - Energy Star program | U.S. Code | US Law | LII / Legal Information Institute (cornell.edu)

[19] *See* Justice40 Initiative | Department of Energy: https://www.energy.gov/justice/justice40-initiative

with the U.S. DOE Award documents has indicated that projects listed under "Allowable Activities" in the initial NEPA determination issued for EE RLF funding will be permitted to proceed without further NEPA review, but projects not listed under "Allowable Activities" in the NEPA determination would require the submission of additional filings for individual projects including a statement of work and an environmental questionnaire for additional Federal review and approval.

Build America, Buy America (BABA)

BABA establishes a domestic procurement preference for certain federal programs for infrastructure, but only applies if the infrastructure in question is "public" infrastructure, meaning that it must be publicly owned or privately owned but primarily utilized for public purpose.[20] U.S. DOE also provides that certain types of eligible activities such as loan loss reserves and interest rate buydowns are not subject to BABA. On September 11, 2024, the U.S. DOE issued initial guidance on small grant waiver for BABA, which will likely apply to EE RLF and waive BABA requirements for EE RLF-funded projects.[21]

Davis-Bacon

Davis-Bacon requirements establish that contractors and subcontractors receiving federal funds must pay employees the prevailing wage rates identified for their localities. Davis-Bacon applies to laborers and mechanics employed at the work site. Auditors, inspectors, and other personnel not performing physical or manual work at the site of the work are not covered by Davis-Bacon.

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[20] Build America, Buy America | Department of Energy To use an example of the distinction between privately owned and operated for public purposes, the U.S. DOE FAQ notes that a privately-owned residence that is closed to the public would not be subject to BABA, but a privately-owned museum that is open to the public would likely be treated as "public" for Buy America purposes. See RLF Program Implementation Frequently Asked Questions (energy.gov)

[21] U.S. DOE Small Grant BABA Waiver: DOE-Final- Public Interest- Sm Grant De Minimis Minor Component - Final for posting 7.26.23_0.pdf (energy.gov)

U.S. DOE has clarified that Davis-Bacon will not cover individual homeowners who receive loans or grants from U.S. DOE programs to install energy efficiency measures and for which contractors are not receiving direct payment from the prime recipient or sub-recipient, so long as all "program funds subject to Davis-Bacon coverage go directly to the homeowner." This only applies to individual homeowners using the funds on their own homes. An owner of a multi-family building having a contractor make upgrades on their rental units or an individual making improvements on the building that houses their business enterprise would be subject to Davis-Bacon.[22]

Expedited Time Frame

Per Section 40502(d)(2) of IIJA, a State must begin using a capitalization funds not more than 180 days after the date on which the funding is received. DOE has provided the guidance that the 180-day period begins starts when the State receives its award.[23] U.S. DOE has indicated to Commission staff that Wisconsin's award is expected in January 2025. After receiving awards, States can request a delayed start to their clock if either of the following scenarios apply:

- Scenario 1: A state needs legislative or executive approval to spend or receive the RLF award.
- Scenario 2: A state is contracting with a third-party administrator to run the financing program and the contract is awaiting finalization.

Otherwise, to satisfy the 180-day requirement, a state can issue a loan or grant, or it can have loan applications available by prospective borrowers.[24]

[22] See U.S. DOE FAQ: RLF Program Implementation Frequently Asked Questions (energy.gov)
[23] See the RLF FAQ question #1 on p. 16: rlf-faqs_mar2024.pdf (energy.gov)
[24] DOE defines this as being prepared to start accepting and processing applications. Page 16 examines ways for states to meet the 180-day requirement: rlf-faqs_mar2024.pdf (energy.gov).

Third-Party Administrator and Administrative Reserve

Loan servicing and other third-party administrative costs may be covered by a 10 percent administrative cost allowance. Loan servicing costs can also be covered by fees charged by the third-party administrator and/or via private capital interest earnings recovered by a partner financial institution (e.g., loan loss reserve). The EE RLF guidance provides that states may "[t]ake advantage of existing expertise and… consider partnering with third-party service providers with experience in marketing, loan origination, and servicing."[25] Further, it does not specify eligible types of third-party administrator, and is it is therefore presumed that a credible private firm or state agency are both viable options.

Reporting

States are required to collect and report information on projects supported by EE RLF funding, including but not limited to the number of investment grade audits, the number of non-investment grade audits, the square footage of buildings/facilities audited, auditor's projection of energy savings, number of projects started based on audits, number of buildings retrofitted, square footage of buildings retrofitted, estimated project savings, and estimated project savings. Additional reporting requirements include:

- the number of recipients to whom the State EE RLF has distributed loans for commercial energy audits;
- the number of recipients to whom the State EE RLF has distributed loans for residential energy audits;
- the number of recipients to whom the State EE RLF has distributed loans for commercial energy upgrades;
- the number of recipients to whom the State EE RLF has distributed loans for residential energy upgrades;

[25] See EE RLF Application Instructions p. 10: https://www.energy.gov/scep/articles/state-energy-program-ee-rlf-iija-application-instructions

- the number of grants; and
- the average capital cost of upgrades and retrofits across all commercial energy audits and residential energy audits that were conducted in the State using loans provided.

Federal Closeout Agreements

The federal character, and corresponding federal requirements, of the funds will not remain in perpetuity, but rather are tied to the initial award project period of performance. Financial structures that do not generate program income, like loan loss reserves and interest rate buydowns, are not able to terminate federal requirements.[26] When the awards project period is complete, a closeout agreement will be negotiated with U.S. DOE that will contain minimum terms for the continued use of the funds, replacing the original federal grant agreement, including the removal of certain federal regulations (e.g., Davis-Bacon or BABA).

WEDC Partnership Considerations

In this section, Commission staff provide some key considerations to explain how a partnership with WEDC has emerged as an option to deploy EE RLF funds, and inform the Commission's assessment of whether to pursue that partnership.

Green Banks and the Green Innovation Fund

As established in the original EE RLF application, Commission staff explored different options for deploying EE RLF funds and identified partnership with WEDC as an option due to their involvement with emerging clean energy financing initiatives, including consideration of a Green Bank under the Green Ribbon Commission on Clean Energy and Environmental Innovation established shortly before Wisconsin's EE RLF application was submitted.[27] The Green Ribbon Commission was directed to evaluate models for a green bank (WEDC's GIF) that

[26] See U.S. DOE July 2024 FAQ update: RLF Program Implementation Frequently Asked Questions (energy.gov)
[27] See the WEDC's website for the full Green Ribbon Commission membership: Green Ribbon Commission - WEDC

"leverages public and private funds to invest in strategic energy efficiency and renewable energy projects that benefit traditionally underserved businesses, residents, and communities across Wisconsin."[28]

Green banks have been used in a number of other states to support energy investments.[29] According to the Environmental Protection Agency (EPA), states use green banks "to deliver projects that are not sufficiently met by other financial markets and to achieve desired economic development or public benefit outcomes."[30] Furthermore, green banks "offer subsidized loans at interest rates lower than typical market offerings, or they can take on risks that the market is not currently accepting by offering loans to customers who do not meet the credit requirements of other lenders."[31] Potential target customers for green banks often include low-income and rural households, small businesses, and other traditionally underserved communities whose needs are not currently being met by traditional lenders. The programs provided by the GIF are being designed to address comparable needs in Wisconsin and offer energy financing options Wisconsin homeowners and businesses can use to implement Inflation Reduction Act (IRA) rebate programs, new federal tax credits, and incentives offered through other clean energy programs such as Focus on Energy

In addition to its emergent role in developing the GIF, Commission staff have noted WEDC's broader experience in loan administration through other established programs, including its administration of the Forward Community Investments Loan Program, the Disaster

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[28] WEDC's Green Innovation Fund: Green Innovation Fund - WEDC
[29] See the EPA's list of green banks, Green Banks | US EPA; Connecticut, New York, Hawaii, and Michigan are among the 16 states that have green banks, and which use their green banks to finance green energy projects in their states.
[30] See: Green Banks | US EPA
[31] Green Banks | US EPA

Recovery Microloan Program, and the Technology Development Loan Program.[32] Through these programs, WEDC has a history of collecting job creation, energy savings, and private capital leveraged metrics and conducting loan oversight practices such as site visits and desk monitoring. Since the original EE RLF application was submitted to U.S. DOE, WEDC has also expanded its involvement in clean energy issues through its receipt of a grant award under the Solar for All program to support solar energy deployment through a combination of grants to homeowners, incentives, tax credits, loan offerings, and partnerships.[33]

Commission staff have undertaken ongoing engagement with WEDC to monitor GIF development and implementation. WEDC issued a Request for Information in June 2024 to curate a portfolio of fundable projects for the GIF.[34] By the July 2024, deadline, the WEDC communicated to Commission staff that they received 42 responses, proposing 91 projects, and totaling approximately $342 million. Proposals received after this deadline will be collected to build the GIF's portfolio for future funding opportunities. WEDC has reported that the amount of funding requested demonstrates market demand for the financing options that could be offered through the GIF.

Commission staff have assessed options for internal administration of EE RLF funds, relative to the information received on loan administration options through WEDC. While OEI has had some limited historical experience with loan programming, current OEI offerings do not presently provide an existing platform or loan servicing experience comparable to that in place at WEDC. For its most recent loan program, the Clean Energy Manufacturing Revolving Loan Fund (CEMRLF), the OEI partnered with the WEDC because the Commission did not have the

[32] See Wisconsin Development Programs | WEDC Programs | WEDC and Forward Community Investments Loan Programs | WEDC.
[33] See: Solar for All | US EPA.
[34] WEDC's Request of Information: RFI-Wisconsin-Green-Innovation-Fund-1.pdf (wedc.org)

internal structure needed to issue new loans. WEDC continues to collect payments and administer the loans that remain open under CEMRLF. Due to the lack of OEI loan infrastructure, in the absence of a partnership arrangement, staff would likely consider deployment of EE RLF funds through establishment of a contract with a private third-party administrator. There is a good chance that such a contract approach would require more time and administrative resources to deploy new program infrastructure than establishing a partnership to deploy the funds through an existing vehicle, and may require OEI to request an extension of the 180-day standard for making grants available in order to pursue the contracting process. Independent contracting may also result in higher administration costs once program implementation begins, which would reduce the EE RLF funding available to customers.

Proposed RLF Program Design

Consistent with existing practices for working with other state entities, Commission staff anticipate that a partnership with WEDC would be established by entering the Commission into a Memorandum of Understanding (MOU) which would establish WEDC as Wisconsin's State EE RLF third party administrator, govern loan administration and underwriting services, and pass-through the EE RLF capitalization grant funds, incorporating the previously discussed administrative requirements and federal flow-down provisions. To further inform Commission consideration of this approach, WEDC has provided Commission staff with information on its proposed program design for deployment of EE RLF funds, which could serve to define the scope of work in an MOU.

<u>Eligible Applicants and Activities</u>

WEDC's proposed plan would provide financing to commercial entities identified as historically underserved, including small businesses, agribusiness, healthcare, senior living facilities, and facilities in rural locations. WEDC reports that it would use RLF funds to make loan offerings to those entities for commercial energy upgrades and retrofits, and grant funding to conduct audits.

Loans would be prioritized for comprehensive energy retrofits that involve significant upgrades to improve energy efficiency, such as insulation improvements, heating, ventilation, and air conditioning (HVAC) system upgrades, lighting retrofits, and building envelope enhancements. In addition, projects that support the transition from fossil fuel-based systems to electric-based alternatives would be prioritized, such as converting traditional heating systems to electric heat pumps. WEDC has suggested that loans would be utilized to maximize energy savings and greenhouse gas emission reductions through various strategies such as deep retrofits, beneficial electrification, and other high impact measures.

In addition to the loan offerings, 25 percent of financing funds available would be used to provide grants to qualified small business applicants that are in need of the requisite energy audit and also meet U.S. DOE’s eligibility criteria of having 500 or fewer employees, conducting a majority of its business in the state that provides the loans and/or grants, and owning or operating one or more commercial buildings or commercial space within a building that serves multiple functions.

Proposed Budget

Of the total budget of $1.9 million associated with Wisconsin’s present allocation, WEDC proposes to use the full 10 percent administrative allowance ($191,170) to run the program over the performance period of the funding. Of the remaining funds for financing, the WEDC would use the maximum 25 percent allowance ($477,925) for grants, with the remaining 75 percent available for financing ($1,242,605) going towards loans to commercial organizations.

Table 2. Proposed Budget Summary

Wisconsin Allocation	$1,911,700	Original Wisconsin Allocation (before expected plus-up)
Administrative Budget (10% of State Allocation)	$191,170	WEDC Program Administration
Available for Financing	**$ 1,720,530**	
Loans (75% of allocation)	$1,242,605	Commercial Upgrades and Retrofits
Grants (25% of allocation)	$477,925	Commercial Energy Audits (Small Commercial Entities)

Commission Alternatives

Under Alternative One, the Commission could pursue a partnership with WEDC to deploy EE RLF funding under an MOU. Commission staff notes that, based on discussions with WEDC, this option would entail WEDC further forming a partnership with a Wisconsin-based third-party financial institution to operationalize this grant and the GIF more broadly. The Commission may consider whether this approach meets the goals of EE RLF funding, while leveraging WEDC's existing loan administration capacity, relationships with stakeholders, and its increasing role in providing financial support for clean energy projects.

Under Delegation Item #128, the Delegated Commissioner for OEI has authority to act on behalf of the Commission for the negotiation and execution of any contract, agreement, or MOU between OEI and other agencies and providers. (PSC REF#: 447140.) Under Sub-Alternative A to Alternative One, the Commission may further consider whether to place additional parameters on its approval to guide the negotiation of the anticipated MOU. The Commission may wish to select Sub-Alternative A if it wishes to direct any modifications or establish any requirements related to the proposed program plan, including the offerings made or the eligible applicants or activities; the negotiation of the closeout agreement with U.S. DOE; or the proposed program budget, including whether it wishes to issue direction related to the allocation of future, additional "plus-up" funds within the proposed budget.

Selection of Alternative Two would require OEI to assess an alternative strategy for administering the EE RLF. This approach is likely to involve exploration of options for contracting with a third-party administrator and is likely to require additional time and administrative resources compared to Alternative One.

Commission Alternatives: WEDC Partnership

Alternative 1: Provide a passthrough grant of the EE RLF funds via MOU to WEDC for loan administration and underwriting services.

> **Sub-Alternative A:** Place conditions on the approval of the passthrough grant pursuant to the Commission's discussion.

Alternative 2: Do not provide a passthrough grant of the EE RLF funds to WEDC and direct staff to identify alternative options for deployment of the EE RLF funds.

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