Rationale - Final Evaluation Criteria for Advance of Capital Requests

December 12, 2023

Background & Determination

On September 15, 2023, the IPA temporarily paused both the submission and the review of advance of capital requests in order to build out a more robust approach to the review and approval of those requests. On October 31, the IPA published proposed criteria for evaluating requests for an advance of capital for projects receiving a REC contract in the EEC Category for the 2022-23 and 2023-24 Program Years and requested stakeholder feedback on the proposal.

The IPA's initial proposal was developed to provide more structure and transparency around the Agency's methodology for review and approval of requests for a capital advance. In developing the criteria for review, the Agency attempted to balance a requirement that EECs must demonstrate the need for an advance while recognizing that documentation of need may not always be readily available. The criteria were selected to help the Agency identify EECs that have barriers to participation in the solar market and require an advance of capital to overcome those barriers, in accordance with the spirit and direction of the provisions of the IPA Act.

On November 14, 2023, the IPA received feedback from five stakeholders: four Equity Eligible Contractor Approved Vendors, and one non-profit organization. All but one of the commenters supported the draft criteria proposed by the IPA, with some offering recommendations as to the weighting of certain criteria or suggesting additional criteria not be included in the proposal. For the reasons explained below, the IPA does not believe that any substantial changes to the proposed evaluation criteria are required and generally adopts the proposal without modification.

One commenter requested that the advance of capital be available for use in submitting the project application. Section 1-75(c)(1)(K)(vi) of the IPA Act stipulates that the capital may only be advanced after contract execution, which occurs after verification of the Part I application and approval of the project for a REC Contract by the ICC. To the extent that the commenter was referring to the Part I application, the statute does not permit an advance early enough in the process to support submission of that application, as it limits any advance to occurring after REC contract execution. However, after execution of the REC contract, the advance may be used to support the EEC Approved Vendor in submitting the Part II application.

Another suggestion was to provide a more favorable evaluation to EECs with fewer years in operation, because such entities would not have established relationships with suppliers or financial statements to use in applying for loans. The Agency agrees and will weight the experience of the firm as is indicated in the posed evaluation criteria, including in favor of entities with less experience and limited project portfolios working to grow emerging businesses.

Additional feedback recommended that the IPA add a preference for entities that commit to complying with the Prevailing Wage Act. The IPA notes that, unless subject to an exception, all projects that receive a REC Contract through the Illinois Shines program must comply with the Prevailing Wage Act. Indeed, the statute acknowledges this and directs the IPA to consider the potential increase in project costs related to prevailing wage when determining the percentage of the

REC incentives available for advance payment. Because all projects that would receive an advance of capital must comply with the Prevailing Wage Act absent a statutory exception, the Agency declines to adopt this recommendation.

It was also suggested that IPA add a criterion for the EEC to commit to partner with a CEJA-funded workforce training program to ensure participation of EEPs in the project workforce. The Agency believes this comment has merit and will consider including this criterion in the future, but at this time the CEJA-funded training programs are still under development and the advance of capital process is still nascent. The Agency may add additional qualitative factors in later program years.

The IPA's foundational goal in developing these criteria is to ensure that the advance of capital supports EECs facing barriers in accessing capital. One commenter argues instead that the advance of capital evaluation should prioritize projects submitted by firms with the most experience and the most ability to access capital elsewhere. The Agency is perplexed why such firms would need an advance of capital, or why prioritizing such firms would further the goals of the *Equity* Eligible Contractor category. It seems to the Agency that any business with this level of experience in the market does not require support in accessing capital. The statute directs the IPA to create an advance of capital process that is "designed to overcome barriers in *access* to capital," not designed to provide a cost-free financing structure to serve an EEC that has already overcome barriers in market participation. The Equity Eligible Contractor category and its features—especially the ability to request an advance of capital—are part of the IPA Act's broader Equity Accountability System, which exists for the purpose of "advancing equity across Illinois by providing access to the clean energy economy for businesses and workers from communities that have been historically excluded from economic opportunities in the energy sector, have been subject to disproportionate levels of pollution, and have disproportionately experienced negative public health outcome." Continued demonstrated success in the market by a company or its affiliates would not demonstrate the historical exclusion from those opportunities.

This commenter also argues that the IPA's approach will favor projects that are likely to fail. The Agency disagrees; helping Equity Eligible Contractors overcome barriers in order to develop *successful* projects is precisely the purpose of a capital advance. The Part I application requires extensive evidence of project viability and readiness, and the Agency has developed contract provisions that require the return of any advance in the event that the project does not reach energization. Therefore, the Agency is not persuaded by this argument.

Finally, one commenter submitted what seemed to be a request for an advance of capital, but that was also generally appreciative of the Agency's efforts and did not object to any of the specific criteria proposed for the evaluation. The Agency interprets this comment to support the evaluation criteria as proposed and outlines the process for requesting an advance of capital under this framework.

Therefore, after a thorough review of stakeholder feedback, the IPA has decided to adopt the evaluation criteria generally as proposed.