



# Arkansas Energy Technology Loan

2015 Program Guidebook

Easy Energy Financing for a Sustainable Tomorrow.

Arkansas Economic Development Commission - Energy Office  
[www.Arkansasenergy.org](http://www.Arkansasenergy.org)



## PURPOSE OF THIS PUBLICATION

The Arkansas Energy Technology Loan (AETL) Program Guidebook provides a road map for Borrowers who will be applying for the loan. The Guidebook is broken down into two sections, one for those interested in a *Capital Improvements Loan* and the other for those interested in the *Green Technology Loan*. The Guidebook provides loan program summaries, guidelines, processes and project grading criteria.

For additional information and application, please visit the Arkansas Energy Office website at [www.adeg.state.ar.us/energy](http://www.adeg.state.ar.us/energy) or call 1-800-558-4567.



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## Arkansas Energy Technology Loan (AETL) Program Overview

With the assistance of many Federal programs the Arkansas Energy Office (AEO) and Arkansas Development Finance Authority (ADFA) will focus on becoming a leader at providing financial assistance that will promote energy conservation across the State and foster job creation and economic growth. The AETL financing Program will focus on providing an easy financing avenue to public and private Borrowers for a more sustainable tomorrow.

The AETL program primarily funded with U.S Department of Energy (DOE), the American Recovery and Reinvestment Act of 2009 (ARRA) funds<sup>1</sup> and State Energy Program Funds<sup>2</sup>, provides a two track low interest financing mechanism for Borrowers:

- The AETL Program – *Capital Improvements Loan* finances energy related cost reduction retrofits and green energy implementation for business located in Arkansas.
- The AETL Program-*Green Technology Loan* targets and supports clean technology companies in Arkansas that make or sell products/services that contribute to renewable energy (RE) production or storage, energy efficiency (EE), or that result in an overall reduction in energy use in the state.

## Program Principles and Priorities

The AEO has adopted to follow the DOE core principles and priorities to guide Borrowers during the project planning process:

- Prioritize energy efficiency (EE) and conservation as the cheapest, cleanest, and fastest ways to meet energy demand;
- To maximize benefits over time, Borrower should look for ways to link their EE efforts to long-term priorities (especially economic development, community stabilization, and poverty reduction efforts);
- Invest funds in programs and projects that create and/or retain jobs and stimulate the economy while meeting long-term energy goals;
- Prioritize programs and projects that leverage federal funds with other public and private resources, including coordinated efforts involving other Federal programs

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<sup>1</sup> AETL funding source is made up of the following U.S DOE grant funds: American Recovery and Reinvestment Act of 2009 (ARRA) Energy Efficiency and Conservation Block Grant (EECBG- DE-EE000833), and State Energy Program-ARRA Grant (SEP-DE-xxxxxx).

<sup>2</sup> State Energy Program Formula Funds (SEP-DE-0003777)



that target community development such as the Community Development Block Grant program, and job training programs;

- To the extent possible, develop programs and strategies that will continue beyond the Loan period.

## Capital Improvements Loan

### Summary

The AETL Program – *Capital Improvements Loan* finances energy related cost reduction retrofits and green energy implementation for business located in Arkansas. The program encourages Borrowers to make investments in clean technology and improve the energy efficiency of their facilities and processes. Low interest rate loans are provided through the Arkansas Energy Office to assist those Borrowers in financing their energy cost reduction efforts. The AETL’s revolving loan mechanism allows Borrowers to repay loans through the stream of cost savings realized from the projects.

Energy Efficiency Measures (EEMs) that can be financed through the program include, but are not limited to replacing lighting, low efficiency turbines and motors, HVAC equipment, installing renewable energy resources (rooftop solar water heating systems, electric generation with photovoltaic or wind turbine electric generation systems) and recycling waste heat, etc.

Utility dollar savings are the number one criterion; however, EEMs are not limited to measures that save units of energy. An EEM could conceivably call for actions that save no energy or consume additional BTU's, but save utility budget dollars. Examples of such EEMs include demand reduction, increased power factor, load shifting, switching utility rate structures, transitioning from a fossil fuel to a renewable fuel, or thermal storage projects.

Either a Professional Engineer (P.E.) or Certified Energy Manager (CEM) selected by the prospective borrower must perform all AETL projects. Project descriptions and calculations are presented in an Energy Assessment Report (EAR). The EAR will be reviewed and approved by AEO before project financing is authorized. If the proposed project involves a change in system design, installation of a new system (for example something other than simple lighting modifications or “like for like” component replacements with higher efficiency components) the project shall have a P.E. review. The Borrower must agree to modify the design based on results of the P.E. review.

Project designs undergo a high level review and the resulting projects progress is verified by the AEO during the construction phase and at project completion. The Borrower, to ensure that energy cost savings are being realized, should monitor post-retrofit energy savings. The level of monitoring may range from utility bill analysis on an individual system or whole building metering, depending on the size and types of retrofits installed.



## Project Eligibility

To be eligible for an AETL-Capital Improvements Loan the project must meet the following program guidelines and requirements:

1. Project must be located in Arkansas.
2. Project must meet one or more of the following criteria
  - The upgrades or improvements must provide energy savings or improved energy efficiency and must not be for new construction. [L] [SEP]
  - Demonstrate measurable improvements in energy efficiency
  - Result in a reduction in energy demand
  - Implement an energy recycling process such as waste-heat recovery or implementation a clean technology energy system.
  - Any of the Approved NEPA Project Activities as listed in Attachment I of this Program Guidelines.
3. The loan will be a secured loan with the security to be determined during the underwriting process.
4. The Borrower must agree to furnish an annual financial statement to ADFA each year the loan is in effect.
5. Projects must be completed within the budgeted cost; if the project cost overruns the budgeted cost then the Borrowers must complete the project without additional loan funds.
6. Loan reporting must be done electronically. The Arkansas Energy Office will provide electronic versions of all reporting forms. Loan recipient must have the capabilities to complete these forms online and submit them electronically.
7. AEO has the option to consider projects that will require a determination if an environmental assessment or an environmental impact statement is required with the understanding that a Memorandum of Understanding (MOU) will not be signed until the determination has been completed and concluded that an EA or EIS is not required. Please see Attachment 1: Approved NEPA Project Activities
8. Project plan must contain an implementation schedule that includes timelines and major milestones.
9. Project must use existing reliable commercially available technologies.
10. Borrowers must provide and require their contractors to provide certification of general liability, vehicles, workers compensation and professional errors and omissions insurance.
11. Loan documentation, closing and servicing fees will be included in loan amount with the total fee not to exceed \$5,000.00
12. Failure to comply with the terms of this agreement or any federal or Arkansas Development Finance Authority (ADFA) regulations may result in ineligibility to receive future loans funds.
13. Renewable Energy based products must comport with parameters set Attachment I:





Approved NEPA Project Activities.

14. Project must be in compliance with all applicable federal, state and municipal laws, codes and regulation for work being performed. All required permits must be obtained prior to work.
15. Borrowers must agree to comply with ARRA’s General Assurances and Special Terms and Conditions. Copies of these documents will be provided with the loan agreement.

**Application**

For an application to be deemed complete it must be filled out on its entirety and must include the following detail information:

- AETL- Capital Improvements Loan Application
- Energy Efficiency Measures (EEMs)
- Energy Audit or Energy Assessment Report (AER)
- DOE Environmental Questionnaire (Form ES-1)
- Copy of Certificate of Good Standing (from Arkansas Secretary of State Office).
- Articles of Incorporation (if applicable)
- Three years Financial Statements (prefer audited).
- Three years tax returns the of the Borrower’s Borrowers, business and/or any individual(s) personally guaranteeing the loan.

**Project Grading Criteria**

Even though funding will be on a first come first served process all project applications will be graded per the following criteria. The projects will be given a score on a sliding scale of 1 to 5 with 1 being the lowest score. The numbers will be added and averaged to set the priority of the project if there are insufficient resources to review all projects or insufficient funding for all projects.

<b>Criteria</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Project has a recent Energy Assessment or Audit (3 years) Yes = 5, No =1					
What timeframe will the energy saving result in repayment of the loan? 10 years = 2, 6 -9 years =3, 3 - 5 years =4, 1 - 2 years =5					
Is the project ready to implement (i.e. planned and ready to work)?  Yes = 5, No = 1					



<p>Will the project require a NEPA review that requires a review to determine if preparation of an environmental assessment (EA) or an environmental impact statement (EIS) is required?</p> <p>Yes = 5, <sup>[[1]]</sup><sub>[[SEP]]</sub> No = 1.</p>					
<p>Does the project demonstrate measurable improvements in energy efficiency?</p> <p>Yes = 5, No = 1</p>					
<p>Does the project demonstrate a reduction in energy demand?</p> <p>Yes = 5, No = 1</p>					
<p>Will the project implement a clean technology energy system?</p> <p>Completely replace a fossil fuel <sup>[[1]]</sup><sub>[[SEP]]</sub> source = 5,          Partially replace a fossil fuel source = 5, No = 1</p>					
<p>Will the project result in elimination of a greenhouse gas discharge?</p> <p>Completely eliminate = 5, <sup>[[1]]</sup><sub>[[SEP]]</sub>          Partially eliminate = 3,          No = 1</p>					
<p>Can the project be completed in less than one year?</p> <p>No = 1,          &lt;3 months = 5,          &lt; 6 months = 4,          &lt; 9 <sup>[[1]]</sup><sub>[[SEP]]</sub> months = 3.</p>					
<p><b>Total</b></p>					





## Green Technology Loan

### Summary

The AETL -*Green Technology Loan* targets and supports clean technology companies in Arkansas that make or sell products/services that contribute to renewable energy (RE) production or storage, energy efficiency (EE), or that result in an overall reduction in energy use in the state.

A wide range of activities will be funded as part of the mission of the Green Technology Loan with a preference toward projects that use leverage to attract additional financing, investment or in-kind support.

Borrowers and its product/service will be evaluated for:

- Products/Services that contribute to the energy efficiency and renewable energy portfolio of the state (such as accelerating the deployment of energy efficient or renewable energy products or technology in the state).
- Products/Services that promote the conservation of energy in the state.
- Products/Services that reduce the rate of growth of energy demand in the state.
- Products/Services that reduce dependence on imported oil in the state.

### Project Eligibility

To be eligible for a GTLF, the Borrowers and its product/service must meet the following program guidelines and requirements:

1. Project must be located in Arkansas.
2. Possible projects include those which support the growth, development or viability of companies in or moving to the State of Arkansas that own, market, develop or hold prototypes for green technology products or services. Such products or services could include, but are not limited to the list below:
  - **Technical Assistance:** Conduct energy assessments or audits; launch energy efficiency/renewable energy (EE/RE) benefit promotional and marketing activities or campaigns; participate in EE/RE measurement projects; conduct feasibility studies to facilitate access to capital and credit for EE/RE measurement projects. Develop of an EE conservation strategy by Borrower and technical consultants services to assist in the development of such strategy.
  - **Facilities and Equipment Improvements:** Encourage businesses to modify patterns of energy consumption to reduce peak demands for energy and improve efficiency of energy supply systems. Implement, expand, upgrade or demonstrate EE/RE products by funding equipment retrofits and processing improvements. Initially capturing baseline data and subsequently recording EE/RE progress or variance from the baseline in areas such as efficiency improvements and energy conservation will measure results. Develop EE and conservation programs for buildings and facilities.



- **Renewable Energy Products:** Acquire, upgrade or demonstrate renewable energy products, equipment and materials for use in an operational setting, provided that any energy generation demonstration must be small scale. “Small scale” is defined as appropriately sized solar units on existing rooftops and parking shade structures, as well as 60kW systems or smaller installed on the ground within boundaries of an existing facility.<sup>3</sup>
  - **Process Improvements:** Conduct energy audits and replace energy efficient and renewable energy equipment and materials in order to reduce energy consumption.
  - **Technology Improvements:** Support interaction with resources that can analyze existing techniques or technologies in order to speed improvements and deployment of commercially available EE/RE techniques and technologies. Borrowers are encouraged to seek partnerships that develop and demonstrate advances in EE and clean technologies.
  - **Workforce development:** Conduct education and training activities for employees related to the sale, installation and maintenance of green technology systems and equipment and/or building codes and inspections to promote building energy efficiency.
  - **Any of the Approved NEPA Project Activities** as defined in Attachment I of this Guidebook.
3. The loan will be a secured loan with the security to be determined during the underwriting process.
  4. The Borrower must agree to furnish an annual financial statement to ADFA each year the loan is in effect.
  5. Projects must be completed within the budgeted cost; if the project cost overruns the budgeted cost then the Borrowers must complete the project without additional loan funds.
  6. Loan reporting must be done electronically. The Arkansas Energy Office will provide electronic versions of all reporting forms. Loan recipient must have the capabilities to complete these forms online and submit them electronically.
  7. AEO has the option to consider projects that will require a determination if an environmental assessment or an environmental impact statement is required with

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<sup>3</sup> Projects Are Limited To:

- Solar Electricity/Photovoltaic – systems or unit on existing rooftops and parking shade structures must be sized for the load of the particular building it is installed on; or a 60 KW system or smaller unit installed on the ground within the boundaries of an existing facility.
- Wind Turbine - 20 KW or smaller.
- Solar Thermal - system must be 20 KW or smaller.
- Solar Thermal Hot Water - such as appropriately sized for small buildings.
- Ground Source Heat Pump - 5.5-ton capacity or smaller, horizontal/vertical, ground, closed-loop system.
- Combined Heat and Power System - boilers sized appropriately for the buildings in which they are located
- Biomass Thermal - 3 MMBTUs per hour or smaller system with appropriate Best Available Control Technologies (BACT) installed and operated.



- the understanding that a Memorandum of Understanding (MOU) will not be signed until the determination has been completed and concluded that an EA or EIS is not required. Please see Attachment 1: Approved NEPA Project Activities
8. Project plan must contain an implementation schedule that includes timelines and major milestones.
  9. Project must use existing reliable commercially available technologies.
  10. Borrowers must provide and require their contractors to provide certification of general liability, vehicles, workers compensation and professional errors and omissions insurance.
  11. Loan documentation, closing and servicing fees will be included in loan amount with the total fee not to exceed \$5,000.00
  12. Failure to comply with the terms of this agreement or any federal or Arkansas Development Finance Authority (ADFA) regulations may result in ineligibility to receive future loans funds.
  13. Renewable Energy based products must comport with parameters set Attachment I: Approved NEPA Project Activities.
  14. Project must be in compliance with all applicable federal, state and municipal laws, codes and regulation for work being performed. All required permits must be obtained prior to work.
  15. Borrowers must agree to comply with ARRA's General Assurances and Special Terms and Conditions. Copies of these documents will be provided with the Loan Agreement.

## **Application**

For an application to be deemed complete it must be filled out on its entirety and must include the following detail information:

- AETL- Green Technology Loan Application
- Energy Efficiency Measures (EEMs)\*
- Energy Audit or Energy Assessment Report (AER)\*
- DOE Environmental Questionnaire (Form ES-1)
- Copy of Certificate of Good Standing (from Arkansas Secretary of State Office).
- Articles of Incorporation (if applicable)
- Three years Financial Statements (prefer audited)
- Three years tax returns the of the Borrower's Borrowers, business and/or any individual(s) personally guaranteeing the loan

\* If the proposed loan involves the retrofit of existing equipment or a process, then the applications shall contain an Energy Efficiency Measures (EEMs) and Energy Assessment Report (EAR).

## **Green Technology Loan: Bi-Annual Special Purpose Report**

For the length of the loan period, a bi-annual Special Purpose Report shall be submitted to



the AEO no later than the 15th day of the month following the bi-annual year of the signed Loan Agreement.

1. If the purpose of the loan is for **Technical Assistance**, the Borrowers will report results as follows:
  - Provide the AEO with a list of completed energy assessments or audits
  - Provide the AEO with a copy or copies of completed feasibility studies
  - Provide the AEO with a copy of promotional and/or marketing plan
  - If applicable, number of jobs created or retained
  - If applicable, CO2 emissions avoided
2. If the purpose of the loan is to fund **facilities and equipment improvements**, the Borrowers will report results of the energy efficiency upgrade as follows:
  - Initially capturing baseline data and subsequently recording EE/RE progress or variance from the baseline in areas such as efficiency improvements and energy conservation will measure results.
  - If applicable, number of jobs created or retained by the improvements
  - If applicable, CO2 emissions avoided
3. If the purpose of the loan is for **renewable energy products**, the Borrowers will report results as follows:
  - If applicable, number of jobs created or retained by the improvements
  - If applicable, CO2 emissions avoided
4. If the purpose of the loan is for **technology improvements**, the Borrowers will report results as follows:
  - Technology improvement report
  - If applicable, report of the conference(s) and/or research results.
  - If applicable, number of jobs created or retained
  - If applicable, CO2 emissions avoided
5. If the purpose of the loan is for **workforce development**, the Borrowers will report results as follows:
  - Provide the AEO with the lesson plan for the course
  - Provide the AEO a report for each class including number of students, hours of training and end of class evaluations.
  - If applicable, number of jobs created or retained



### Project Grading Criteria

Even though funding will be on a first come first served process all project applications will be graded per the following criteria. The projects will be given a score on a sliding scale of 1 to 5 with 1 being the lowest score. The numbers will be added and averaged to set the priority of the project if there are insufficient resources to review all projects or insufficient funding for all projects.

<b>Criteria</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Is the Borrower ready to make or sell products/services?  Yes = 10, No = 1					
Does this Borrower create full time jobs?  Yes = 10, No = 1					
Do the products/services demonstrate measurable improvements in energy efficiency?  Yes = 10, No = 1					
Do the products/services demonstrate a reduction in energy demand?  Yes = 10, No = 1					
<b>Total</b>					

### Project Review Process



AETL funds are distributed on a “first come - first served” basis unless an environmental impact review is required. Borrowers are encouraged to contact the AEO as soon as a decision is reached to pursue AETL funding for cost reduction retrofits. If the Borrower has not performed an EAR then it must perform the assessment prior to being allowed to sign the Loan Agreement.

In the event that multiple projects are received at the same time, the proposed projects will be graded to prioritize the technical and financial reviews. If the project requests exceed the amount remaining in the loan fund and were received on the same day, then the grading will be used in part to determine which projects will get reviewed.

**The first step** will be the Screening Review. This review will be a quick look at the proposed project(s) and financial details to ensure that basic assumptions are sound prior to sending it on for the detailed Technical and Financial Reviews.

**The second step** will be the Technical and Financial Reviews. These reviews will occur in parallel with each other.

- a) The Technical Review will verify that the proposed project was designed using sound engineering principles, valid assumptions and an appropriate measurement and verification process for each EAR and proposed EEMs. The AEO staff and/or its contractor will review the EAR and proposed EEMs. The staff may request additional information and/or calculations such as but not limited to P.E Certifications, energy analysis reports, etc.
- b) The Financial Review will be performed by the Arkansas Development Finance Authority (ADFA) to verify financial stability and the ability of the Borrower to repay the loan and approve it for funding. ADFA may require the Borrower to provide additional information or documentation.

Financing options and requirements:

- Loan will be a secured loan with security requirements to be determined in underwriting.
- Maximum loan term is ten years.
- The return on investment (ROI) should be sufficient to cover the loan payment. A project with a ROI of over 10 years will be considered if the Borrowers commit to buy down the loan such that it is repaid in 10 years. To encourage projects larger than simple lighting or insulation upgrades, these types of projects may have a smaller interest rate reduction. Interest rates will be below market and determined during the underwriting process.

Financial strength of the Borrowers will be one factor used in determining the interest rate





reduction. The market rate at the time of closing will be used to determine the starting point of the interest rate with an option to lock in the rate at an earlier time. To encourage companies to commit to EE projects with a longer return on investments, a lower interest rate will be considered for the extended period. Examples of typical loan rates include.

- Loan Term 6 – 10 years = 2% below market rates
- Loan Term 3 – 5 years = 1.5% below market rates.
- Loan Term 0 – 2 years = 1% below market rates.
- To allow a Borrowers to realize the energy savings immediately, the term can be extended up to one year past the ROI not to exceed 10 years (interest rate will be on loan term not ROI time)

**The third step** begins once project approval has been granted and a Loan Agreement is issued. The Loan Agreement is a document that authorizes the Borrowers to proceed with the implementation of their projects and includes guaranteed funding for the Energy Efficiency Measure's stated in the application.

The Borrower can then begin the process of implementing the project identified in the application.

## Project Implementation Process

The Project Implementation Process is the level of involvement by AEO staff and/or its contractor on any loan will depend on the scope and complexity of the projects.

1. **Monitoring and Site Visits.** To ensure that the work meets all technical and state requirements, AEO will perform monitoring and site visit at least once while the work is in progress. This monitoring and visit will generate a report that provides a general overview of EEM implementation at the site and will address issues such as but not limited to, budget, schedule, conformance of the work, etc.
2. **Reporting.** The Borrower shall provide the following reports:
  - a. *Quarterly Project Progress Report.* The Quarterly reports must be submitted to the AEO no later than the fifth (5<sup>th</sup>) day of the quarter following the closing of the loan and each quarter thereafter on the fifth 5<sup>th</sup> day of the quarter through duration of the project. The report should address the following:
    - i. Progress on the project as it relates to the Scope of Work
    - ii. Budget
    - iii. Timeline
    - iv. Financial status of the project
    - v. A summary should also indicate any change in the Scope of Work or issues that have arisen that alter or delay progress.



- b. *Capital Improvement Loan: Bi-Annual Energy Savings Report.* For the length of the loan period, a bi-annual energy savings report of the measurement and verification of savings shall be submitted to the AEO no later than the 15th day of the month following the bi-annual year of the signed Loan Agreement.
  - c. *Green Technology Loan: Bi-Annual Special Purpose Report.* For the length of the loan period, a bi-annual Special Purpose Report shall be submitted to the AEO no later than the 15th day of the month following the bi-annual year of the signed Loan Agreement. Please see above reference of reporting requirement for additional details.
  - d. *Project Completion Closeout Report.* Upon completion of the project, the borrower will submit a final Project Completion Closeout report. The report shall address the following:
    - a. Summary of barriers and opportunities during the life of the project.
    - b. Summary of lessons learn and any other information pertaining to the project.
3. **Reimbursement Process.** Reimbursement will be done on paid invoices following the standard rules and process established in the ADFA. While it is anticipated that no costs will be incurred until a loan agreement is signed, on a case by case basis it is acceptable to incur engineering costs directly associated with cost of the project and costs associated with ordering equipment with long lead times needed to meet an installation schedule as long as established procurement practices are utilized.
4. **Repaying the loan.** ADFA will forward and Amortization Schedule to the Borrower based on the incurred loan amount. Loan repayments will begin within sixty days of project completion and are due upon the agreed on date on signed Loan Agreement. Therefore, the dollar amount and the number of loan repayments are established in the promissory note and do not vary according to the actual energy savings. For example, the typical borrower with a four-year payback may agree to repay the loan in sixteen quarterly installments over a four-year period.

## **Attachment I: Approved NEPA Project Activities**



The Arkansas Energy Office (AEO) will fund projects that fall within the bounded categories in Part I below and, moreover, are consistent with the limitations prescribed therein.

### **Part I – Bounded Categories**

1. Conducting residential and commercial building energy audit(s), which includes hiring technical consultants to conduct such audits.
2. Provision for the purpose of performing energy efficiency retrofits, provided that:
  - **Projects Are Limited To:** installation of insulation; installation of efficient lighting; heating, venting, and air conditioning (HVAC) and high-efficiency shower/faucet upgrades; weather sealing; the purchase and installation of ENERGY STAR appliances; installation of solar powered appliances with improved efficiency; and replacement of windows and doors.
3. Development and implementation of energy efficiency and conservation programs for buildings and facilities within the jurisdiction of the entity, provided that:
  - **Projects Are Limited To:** design and operation of the programs; identifying the most effective methods for achieving the maximum participation and efficiency rates; public education, measurement and verification protocols; and identification of energy efficient technologies.
4. Development and implementation of programs to conserve energy used in transportation, provided that:
  - **Projects Are Limited To:** use of flex time by employers; use of satellite work centers; development and promotion of zoning guidelines or requirements that promote energy efficient development; and synchronization of traffic signals.
5. Development and implementation of building codes and inspection services, and associated training and enforcement of such codes in order to support code compliance and promote building energy efficiency.
6. Projects to increase participation and efficiency rates for material conservation programs.
7. Replacement of traffic signals and street lighting with energy efficient technologies.
8. Development, implementation, and installation on or in any government building of onsite renewable energy technology, provided that:
  - **Projects Are Limited To:**
    - Solar Electricity/Photovoltaic – systems or unit on existing rooftops and parking shade structures must be sized for the load of the particular building



it is installed on; or a 60 KW system or smaller unit installed on the ground within the boundaries of an existing facility.

- Wind Turbine - 20 KW or smaller.
- Solar Thermal - system must be 20 KW or smaller.
- Solar Thermal Hot Water - such as appropriately sized for small buildings.
- Ground Source Heat Pump - 5.5-ton capacity or smaller, horizontal/vertical, ground, closed-loop system.
- Combined Heat and Power System - boilers sized appropriately for the buildings in which they are located.
- Biomass Thermal - 3 MMBTUs per hour or smaller system with appropriate Best Available Control Technologies (BACT) installed and operated.

## **Part II - Integral Element Requirements and Other Conditions**

The Arkansas Energy Office (AEO) will not fund Projects that would:

- (1) Threaten a violation of applicable statutory, regulatory, or permit requirements for environment, safety, and health, including requirements of DOE and/or Executive Orders;
- (2) Require siting and construction or major expansion of waste storage, disposal, recovery, or treatment facilities (including incinerators);
- (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; or
- (4) Adversely affect environmentally sensitive resources. Environmentally sensitive resources include, but are not limited to:
  - (i) Property (e.g., sites, buildings, structures, objects) of historic, archeological, or architectural significance designated by Federal, state, or local governments or property eligible for listing on the National Register of Historic Places;
  - (ii) Federally-listed threatened or endangered species or their habitat (including critical habitat), Federally- proposed or candidate species or their habitat, or state-listed endangered or threatened species or their habitat;
  - (iii) Wetlands regulated under the Clean Water Act (33 U.S.C. 1344) and floodplains;
  - (iv) Areas having a special designation such as Federally- and state-designated wilderness areas, national parks, national natural landmarks, wild and scenic rivers, state and Federal wildlife refuges, and marine sanctuaries;



- (v) Prime agricultural lands;
- (vi) Special sources of water (such as sole-source aquifers, wellhead protection areas, and other water sources that are vital in a region); and
- (vii) Tundra, coral reefs, or rain forests.

### **Waste Stream Conditions**

The **Borrower** shall obtain a waste management plan addressing waste generated by a proposed Project prior to the Borrower generating and disposing of sanitary or hazardous waste. This waste management plan will describe the Borrower's plan to dispose of any sanitary or hazardous waste (e.g., construction and demolition debris, old light bulbs, lead paint, lead ballasts, piping, roofing material, discarded equipment, debris, and asbestos) generated as a result of the proposed Project. **The Borrower** shall make the waste management plan and related documentation available to the Arkansas Energy Office or DOE on the AEO or DOE's request (for example, during a post-award audit). **The Borrower** shall ensure through specific contract terms that the it's Sub-recipient(s) and/or Sub-contractor(s) complies with all Federal, state and local regulations for waste disposal.

### **NHPA Conditions**

Prior to funding projects, **the Borrower shall** comply with Section 106 of the National Historic Preservation Act (NHPA). If applicable, the Sub-recipient must contact the State Historic Preservation Officer (SHPO), and the Tribal Historic Preservation Officer (THPO). **The Arkansas Energy Office** shall retain sufficient documentation to demonstrate that the Sub-recipient has received required approval(s) from the SHPO or THPO for the Project. **The Borrower** shall deem compliance with Section 106 of the NHPA complete only after it has this documentation. **Borrower** shall make this documentation available to the Arkansas Energy Office and/or DOE on the Arkansas Energy Office and/or DOE's request (for example, during a post-award audit).

### **Cumulative Impacts, Connected Actions and Extraordinary Circumstances**

DOE's Categorical Exclusions (CXs) are not absolute. CXs do not apply to Projects that involve "extraordinary circumstances," connected actions, or cumulative impacts that may have significant environmental impacts. See 10 C.F.R. § 1021.410(b). If DOE grants a CX based on descriptions in the recipient's RFP for EECBG grants, DOE will base its decision on the lack of such "extraordinary circumstances" and significant impacts. **The Arkansas Energy Office shall** review section 1021.410 and must immediately contact DOE if it identifies a Project that may involve "extraordinary circumstances," cumulative impacts or connected actions that could have significant environmental impacts. Typically, DOE will



either subject the sub-grant for the Project to NEPA review or the **State** will elect not to proceed with awarding the sub-grant.

### **Part III**

On this basis the **Borrower** assures that this Project intends to apply one or more CXs described in the recipient's request for Loan.

The Borrower acknowledges the preceding paragraph, agrees to all conditions in Parts I, II and III, and provides its assurance that all statements in the Project and attachments are accurate to the best of its knowledge.