Kansas Energy Efficiency Loan Participation Term Sheet

Program Sponsor	State of Kansas, acting through Kansas Energy Office, a division of the Kansas Corporation Commission
Funding/ authorization	Program Sponsor has received an allocation of $6,415,220 under U.S. Department of Energy's Energy Efficiency Revolving Loan Fund Capitalization Grant Program, authorized under Section 40502 of the Infrastructure Investment and Jobs Act, commonly referred to as the Bipartisan Infrastructure Law. Program Sponsor will use approximately $1,603,800 of its grant to provide subsidies to Kansas' agricultural producers, small businesses, and non-profits to offset the cost of energy efficiency audits, and will use approximately $4,169,900 of its grant for participating in loans issued by Program Lenders to finance Eligible Projects.
Program Lender(s)	Program Sponsor will review and approve applicants to participate in the program as a Program Lender. Eligible applicants will include federal- and state- chartered banks and credit unions and community development financial institutions certified by the U.S. Department of the Treasury CDFI Fund with offices located in Kansas. Applicants will be required to submit an Lender Participation application via Submittable to participate in the program, and will submit a Project Application via Submittable for approval for each Eligible Project loan.
Eligible Projects (for Loans)	• Upgrades or retrofits recommended in a qualifying Energy Audit completed for: 　○ an agricultural building/facility 　○ a building/facility owned and occupied by a nonprofit organization 　○ a building/facility owned and occupied by a small business (500 employees or less; must conduct the majority of its business in Kansas) 　○ a publicly- or privately-owned school building/facility (K-12, college or university) 　○ a publicly- or privately-owned building/facility occupied by state or local government • The project's cost must be life-cycle cost-effective, which shall be demonstrated on the energy audit report showing that the estimated lifetime energy savings from the project upgrades/retrofits will be at least equal to the total project cost. Program Sponsor shall reserve the right to approve an alternative method of demonstrating cost-effectiveness if deemed acceptable. • The project must address at least one of the following: 　• the energy efficiency of the building/facility; 　• the physical comfort of the building/facility occupants; or 　• the quality of the air in the building/facility. 　　○ NOTE: Based on the criteria above, geothermal heating systems are eligible, but solar/PV systems would need to be paired with energy storage or designed to provide operation during utility electricity grid outage to be eligible. • The project must lead to at least one of the following outcomes: 　• reduce the energy intensity of the building/facility; or 　• improve the control and management of energy usage of the building/facility to reduce demand during peak times. • Loans may include any portion of the cost of Energy Audit paid for by the Eligible Borrower (not subsidized by Program Sponsor)

Energy Audit Requirements	Each Eligible Project must have an energy audit completed for the project, which shall: • Determine the overall consumption of energy of the facility of the eligible recipient. • Identify and recommend lifecycle cost-effective opportunities to reduce the energy consumption of the facility of the eligible recipient. • 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. • Recommend controls and management systems to reduce or redistribute peak energy consumption. • Estimate the total energy and cost savings potential for the facility of the eligible recipient if all recommended upgrades and retrofits are implemented, using Audit Template, or such other audit software approved by DOE which complies with the BuildingSync data format.

Eligible Borrower	An entity who owns or operates* one of the following:
	    • an agricultural building/facility
	    • a building/facility occupied by a nonprofit organization
	    • a building/facility occupied by a small business (500 employees or less; must conduct the majority of its business in Kansas)
	    • a publicly- or privately-owned school building/facility (K-12, college or university)
	    • a publicly- or privately-owned building/facility occupied by state or local government
	If the borrower is a business, it must conduct a majority of its business in the State of Kansas
	*Operators may refer to occupants, with the necessary permission of the building owner to perform the work.

Eligible Energy Audit Subsidy Recipients	• An entity who owns or operates* one of the following:
	    • an agricultural building/facility
	    • a building/facility occupied by a nonprofit organization
	    • a building/facility occupied by a small business (500 employees or less; must conduct the majority of its business in Kansas)
	    • a publicly- or privately-owned school building/facility (K-12, college or university)
	    • a publicly- or privately-owned building/facility occupied by state or local government
	• Applicants will be required to submit an Energy Audit Grant application via Submittable for approval to receive an energy audit subsidy
	• The program will focus on those facilities located in rural, disadvantages or underserved communities whose need for capital to fund energy efficiency upgrades and retrofits is greatest, and with the availability of subgrant funding the projects would be economically harmful for its constituents and may therefore not be undertaken.
	• All subsidies for energy audits would be limited to no more than three buildings for each recipient.
	• The program will reimburse the building owner for 100% of the cost of qualified energy audits for nonprofit buildings. For energy audits of all other eligible buildings, the program will reimburse the building owners for two-thirds of the cost of a qualified energy audit, and will reimburse the other one-third of the cost

	to be building owner upon once the owner has implemented at least one of the recommended measures in the energy audit report. *Operators may refer to occupants, with the necessary permission of the building owner to perform the work.
Minimum Loan Underwriting Criteria	As set by the Program Lender
Loan Terms	• Minimum Loan Amount: As set by Program Lender. • Maximum Loan Amount: As set by Program Lender. • Loan term is set by Program Lender, but in no event is greater than 10 years. • Program Sponsor will enter into a Participation Agreement with Program Lender to participate in 50% of each eligible loan. • Program Lender will set its normal and customary interest rate on the loan based on the borrower and project. • Program Sponsor's share of loan will be interest-free (0%, which will result in the borrower receiving an interest rate of 50% of the Program Lender's normal rate, but will provide the Program Lender it's normal/customary yield on its capital. • Interest shall be paid by Borrower at such date(s) as set by Program Lender.
Loan Participation	• Program Sponsor will participate in 50% of each eligible loan, which shall be paid to Program Lender on loan closing date. • Program Sponsor's share of loan will be interest free/0%.
Program Sponsor Responsibilities	• Review and approve applications from Program Lenders to participate in the program • Receive and approve a project application for participation interest in each loan. • Make payment to Program Lender on closing date for Program Sponsor's participation interest in each loan. • Review Energy Audits and communicate project approval to Program Lender. • Monitor federal grant requirements (Davis Bacon Act, Build America Buy America Act, National Environmental Policy Act).
Participating Lender Responsibilities	• Program Lender will submit an application to Program Sponsor for approval of each Eligible Project Loan. • Loan origination. • Loan servicing, using the same standards as Program Lender would use for loans made from its own account without support from Program Sponsor. • Collections for loans in default, at Lender's expense, using the same standards as Program Lender would use for loans made from its own account without support from Program Sponsor. • Flow down federal requirements to borrowers via contractual language to be provided by Program Sponsor. Program Lender shall consider federal grant compliance requirements a covenant of its loan agreement with the borrower, and shall require the borrower to certify in writing its compliance with such requirements prior to each loan advance to the borrower. • Remit to Program Sponsor its share of principal payments received from borrower no later than 30 days after each month end.
Federal requirements	• All Eligible Projects must comply with laborer wage and benefit requirements and reporting under the Davis-Bacon Act. The Contractor/subcontractor(s) responsible for installing the Eligible Project will be required to submit weekly certified wage and benefit reports using DOEs LCPTracker system during the

	term of the Eligible Project. See https://www.energy.gov/infrastructure/davis-bacon-act.
	• Program Sponsor will provide contractual language for Program Lender(s) to include in its loan agreements to flow down these requirements to Eligible Borrower and its contractor.
	• Projects must comply with the Build America Buy America Act and National Environmental Policy Act where applicable.
	• Program Sponsor will review and monitor federal requirements for Eligible Projects.
Agreements	Program Sponsor will enter into a Participation Agreement with Program Lender for each approved project.