Question and Answer
RFP for Community and Multifamily Solar Projects
updated 8.6.2025

Contents

RFP AND PROGRAM BASICS

NEWS ARTICLES ABOUT POSSIBLE PROGRAM TERMINATION BY EPA

Q – My offtaker is concerned about news reports that the EPA is planning to cancel the Solar for All grant program. Since this has not occurred, will HEC continue business as usual with respect to the SFA award and the RFP deadline?

Yes. While we are aware of reporting about threats to the Solar for All program, our grant remains legally obligated, and we remain committed to helping families save on their energy bills

HOW TO CLASSIFY A PROJECT

Q - The proposed structure involves a behind-the-meter solar installation serving student housing on a school campus, resembling multifamily housing but without a utility-administered subscription or rural co-op involvement. Given this sits at the intersection of multifamily and community solar, can HEC clarify:

1a. Whether such a configuration qualifies under either program definition?
1b If not directly eligible, is there a hybrid classification that can be recognized?
1c. What structuring elements (e.g., offtake agreements, tenant eligibility certification) would need to be included to align with HEC's programmatic goals and LIDAC savings requirements?

1a. EPA's Terms and Conditions with HEC include a definition section that details the characteristics of these two project types as follows:

- Residential Rooftop Solar: Behind-the-meter solar photovoltaic (PV) power-producing facilities, including rooftop, pole-mounted, and ground-mounted PV systems, that deliver all the power generated from the facilities to residential customers in existing and new single-family homes, manufactured homes, or multifamily buildings. Residential rooftop solar includes behind-the-meter solar facilities serving multifamily buildings classified as commercial buildings so long as the solar facility benefits residential customers either directly or indirectly such as through tenant benefit agreements. Residential rooftop solar includes properties that are both rented and owned.

- Residential-Serving Community Solar: A solar PV power-producing facility or solar energy purchasing program from a power-producing facility, with up to 5 MW_{ac} nameplate capacity, that delivers at least 50% of the power generated from the system—by delivering at least 50% of the benefits (e.g., financial savings, renewable energy credits) derived from the power generated by the community solar system—to residential customers within the same utility territory as the facility.

Without knowing more about the project, it is possible that it fits in either category. A key question to determine the correct category is whether the project exclusively benefits residential customers in a multifamily building. If not, then the project needs to conform with the residential-serving community solar requirements.

1b. See answer to question 1a.

1c. For the RFP, it is sufficient to include the items requested in the section labeled - RFP Response Submission Instructions and Components.

Please note that documentation that is not required may be helpful to include in the RFP response if it allows the RFP evaluation team to better assess selection criteria like shovel-readiness.

CONFIDENTIALITY

Q - Given the sensitive / confidential information to provide, could we execute an mutual NDA ahead of time?

If an NDA is not an option, how are you making sure that the information provided will remain strictly confidential?

HEC is willing to discuss an NDA but the question's suggestion of a possibility of "strict" confidentiality suggests an expectation of privacy may be unreasonable given the involvement of federal funds in the form of Solar for All financial assistance.

For example, the terms and conditions of HEC's Solar for All award require HEC to report transaction and project level details to the federal government. (For more detail on the data points captured and reported see HEC's RFP, specifically Appendix E. Indicative List of EPA Data and Reporting Requirements.)

Further, in an audit scenario HEC will likely be required to provide the EPA with all supporting documentation associated with HEC's decision to provide financial assistance to a project.

In reporting and compliance scenarios, HEC may not be able to ensure the "strict" confidentiality of information that is contemplated in the question.

LOCATION OF HEC'S SOLAR FOR ALL AWARD

Q - Could you please confirm if / how we can submit projects in Louisiana? The RFP document says to reach out to you, but during the webinar we heard that only sites in AR and MS will be considered.

HEC's Solar for All award and this RFP only cover projects located in Arkansas and Mississippi.

HEC is able to finance projects in other states. But, again, the RFP only applies to projects located in Arkansas and Mississippi.

Q - Will shovel ready projects in AL or LA be considered, as long as they serve LIDACs?

HEC's Solar for All award and this RFP only cover projects located in Arkansas and Mississippi.

NO PRIORITY LOCATIONS PER SE

Q - Are there "priority" census tracts, counties, or regions that HEC wants to focus on?

At this early stage of the program, HEC welcomes proposals that benefit communities across Arkansas and Mississippi.

NO LIMIT TO NUMBER OF AWARDS PER DEVELOPER

Q - Is there a maximum number of projects that a developer can propose?

No. HEC's RFP does not include a limit on the number of proposals or awards per developer.

ONE PROJECT PROPOSAL PER RFP SUBMISSION

Q - Is there a maximum number of projects that can be included in an RFP submission?

Each RFP response should detail one project. For example, a proposal for financial assistance for a multifamily project should be confined to the facility served by the solar installation. Similarly, a proposal for financial assistance for a community solar project should be limited to the EPA's definition of a community solar project, specifically the 5 MW limit.

The same entity can, however, submit multiple responses to this RFP.

TOTAL AMOUNT OF FUNDING AVAILABLE FOR EACH PROJECT TYPE

Q - Are funds allocated by project type (e.g., 70% community solar, 30% multifamily), or is it a combined pool?

HEC received separate Solar for All awards for Arkansas (approximately $93.6 million) and Mississippi (approximately $62.4 million). HEC is planning to deploy 80% or more of each award as financial assistance across three project types – including the two types eligible under this RFP, multifamily and community solar.

For this RFP, HEC has not allocated funds by project type.

REPORTING

Q - What EPA tools or systems are required for post-award tracking and compliance? Will HEC assist with setup and reporting?

As part of HEC's agreement with EPA, HEC is required to submit semi-annual transaction and project-level reporting in accordance with information collection instruments approved through GGRF Accomplishment Reporting (EPA ICR Number 2783.01, OMB Control Number 2090-NEW).

In layman's terms that means HEC will work directly with EPA to ensure data capture and reporting to EPA using the tools and systems required by EPA.

Awardees under this RFP will play a role in that reporting. HEC's loan and financial assistance agreements with awardees under this RFP will detail the data elements, format and deadlines required to ensure compliance with EPA's project-level data reporting expectations. HEC's RFP includes an Appendix labeled "Indicative List of EPA Data and Reporting Requirements".

USE OF AN ESCROW ACCOUNT FOR CONSTRUCTION LOAN DRAWS

Q - Can HEC hold SFA funds in escrow pre-construction to reduce delays on draw requests?

If this question were phrased slightly differently, the answer would be yes.

Here is that slightly different question and the EPA's response:

> Can a Solar for All grantee, like HEC, create escrow accounts to fund contractors?
>
> EPA Answer: Yes, grantees can create escrow accounts, specifically to fund contractors , per 2 CFR 200.305(8): "A payment must not be made to a recipient or subrecipient for amounts that the recipient or subrecipient withholds from contractors to assure satisfactory completion of work. Payment must be made when the recipient or subrecipient disburses the withheld funds to the contractors or to escrow accounts established to ensure satisfactory completion of the work." However, the interest earned on the escrow account is limited to $500.

HEC's RFP provides an opportunity for proposals to "state whether you request that HEC escrow SFA funds in this manner and why".

To accommodate requests for escrow, HEC is currently working with escrow account providers that can offer this service.

HEC'S COMMUNITY ENGAGEMENT ROLE

Q- Can HEC assist with community outreach, subscriber recruitment, or general engagement for community solar?

At this time, HEC can't make any project-specific commitments on community outreach or subscriber recruitment. HEC has a marketing and community engagement budget for both Arkansas and Mississippi with the goal of utilizing those funds to help lower customer acquisition costs for its residential rooftop program.

HEC would welcome market feedback, including developers of projects awarded through this RFP, for how those funds can be efficiently deployed to drive additional household savings.

RFP AND AWARD TIMELINE

Q - What's the expected timeline from submission to approval and first draw?

HEC will strive to provide an award decision within 60 days of the RFP deadline. After that milestone, the amount of time required for each project may vary based on project complexity, credit analysis, and other factors. HEC is not able to commit to a date for the first loan draw for any project at this time.

Q - Are any elements of the application reviewed on a rolling basis, or is everything reviewed post-deadline?

RFP responses will be competitively scored after the deadline for responses has passed.

PROJECT ALIGNMENT WITH SFA GOALS AND REQUIREMENTS

BATTERY STORAGE AND ENERGY EFFICIENCY UPGRADES

Q - Will HEC give preference to projects that combine solar with battery storage or energy efficiency upgrades?

HEC's RFP includes evaluation criteria for a project model that demonstrates 20% savings with reasonable assumptions, including any impacts of battery storage, enabling upgrades or energy efficiency improvements.

The fact that storage and energy efficiency are mentioned as elements of a model should not be interpreted as evidence that HEC will more favorably evaluate projects that include those elements.

HEC's perspective on battery storage and energy efficiency is that each presents an opportunity to increase household savings and, in the case of storage, provide other benefits by delivering demand response services, the opportunity to aggregate assets into virtual power plants, and backup residential power during grid outages.

A proposal that addresses the viability or non-viability of these elements will provide the HEC team with additional data points that are relevant across a number of evaluation criteria including, alignment with SFA goals and requirements, quality of the financial model, developer / owner experience and additionality.

NON-UTILITY BENEFITS

Q - Can multifamily owners use project savings to support services they already offer (e.g., shuttle, security)?

Yes. Support services, whether or not the services are currently offered, are an acceptable form of delivering non-utility benefits.

The question highlights two potential examples of support services – shuttle and security. Both are listed in the HUD memo attached to the RFP, which has been cited by the EPA as including examples of acceptable forms of non-utility benefits.

PLEASE NOTE Increased operating or replacement reserves for the property are included in the HUD memo but are not an acceptable form of non-utility benefits for Solar for All proposals.

HEC encourages proposals to consider non-utility benefits that may be unique to the project and desired by benefiting households. For non-utility benefits that are not listed in the HUD memo attached to the RFP, HEC will seek approval from EPA of the non-utility benefit proposal.

NON-UTILITY BENEFITS FOR STUDENTS

Q - Does HEC allow post-solar utility savings delivered to student residents to be credited as tuition reductions or other education-related offsets?

In the event that a project lacks pathways for directly reducing electric utility expenses, EPA allows SFA-funded projects to deliver equivalent non-utility financial benefits or non-financial benefits to households. EPA has recommended this list from the Department of Housing and Urban Development (HUD) for examples of non-financial benefits that can be provided to households in multifamily housing. To ensure alignment with EPA, HEC will likely discuss proposals with the EPA prior to disbursing financial assistance to projects like this.

This response should not be read as discouraging innovative benefit delivery models that are desired by beneficiaries. The intent of this response is to communicate the flexible, case-by-case paradigm provided by EPA, which will necessarily require explanation and discussion beyond reduction in household electric utility bills.

Q - If so, would such offsets meet the "equivalent benefit" test for delivering the 20% household savings required under the Multifamily Solar program?

HEC anticipates that the specific scenario provided in the question would be acceptable, assuming that additional details on management of the benefit delivery and verification methods are also provided.

SPECIFIC LIDAC DEFINITIONS

Q - Which method does HEC prefer for LIDAC identification: CEJST, EJScreen, or AMI/FPL data? Is one faster or easier for HEC to process?

HEC would like for proposals to address the viability of one of these three methods for identifying LIDAC eligibility: Geographically Dispersed, Affordable Housing, Federally Recognized Tribe.

HEC will also allow projects to rely on CEJST or EJ Screen data sets referenced in its EPA-approved Terms & Conditions:

- CEJST - All communities identified as disadvantaged through version 1.0 of the Climate and Economic Justice Screening Tool (CEJST), released on November 22, 2022, which includes census tracts that meet the thresholds for at least one of the tool's categories of burden and land within the boundaries of Federally Recognized Tribes.
- EJScreen - All communities within version 2.3 of EJScreen that fall within either (a) the limited supplemental set of census block groups that are at or above the 90th percentile for any of EJScreen's supplemental indexes when compared to the nation or state or (b) geographic areas within Tribal lands as included in EJScreen, which includes the following Tribal lands: Alaska Native Allotments, Alaska Native Villages, American Indian Reservations, American Indian Off-reservation Trust Lands, and Oklahoma Tribal Statistical Areas.

At the time of publication of this document, the EPA-maintained sites for the CEJST and EJScreen tools could not be reached.

HEC has linked to archived versions on its website.

As stated above, applicants are encouraged to consider whether LIDAC households served by their project can be identified by implementing one of these definitions: Geographically Dispersed Low-Income Households, Properties Providing Affordable Housing or Federally Recognized Tribe.

HOW TO DOCUMENT EJSCREEN OR CEJST COMMUNITIES

Q - To satisfy LIDAC eligibility, is it sufficient to submit an archived or recent EJScreen report, or must applicants also affirmatively categorize the project using one of the EPA-recognized LIDAC definitions (e.g., Geographically Dispersed, Affordable Housing, Federally Recognized Tribe)?

More directly: does an EJScreen map replace or supplement the requirement to explicitly classify the project within a LIDAC category?

In terms of documentation, a submission that simply includes an EJ Screen map, without more, does not satisfy the RFP instructions. The RFP instructions ask that proposals provide a narrative response that details project offtake with an explanation of which EPA-approved definitions of LIDAC households will be used to determine LIDAC status of households; details of how the project will implement that eligibility screen and any associated expense of implementing the eligibility screen. See Appendix C of the RFP.

At the time of publication of this RFP the EPA-maintained sites for the CEJST and EJScreen tools could not be reached; applicants are encouraged to consider whether LIDAC households served by their project can be identified by implementing one of these definitions: Geographically Dispersed Low-Income Households, Properties Providing Affordable Housing or Federally Recognized Tribe.

Proposals that detail consideration of those definitions mentioned at the end of the last paragraph can also rely on CEJST and EJScreen tools, if those other methods are more limiting than CEJST or EJScreen.

DOES NREL PROVIDE A CEJST DATA SET

Q - To determine LIDAC, can we use NREL'S mapping tool for Clean Electricity Low-Income Communities Bonus Credit Program -- located at https://experience.arcgis.com/experience/12227d891a4d471497ac13f60fffd822/page/Page?

The EPA-approved Terms and Conditions for HEC's Solar for All award define CEJST-Identified Disadvantaged Communities as follows:

> All communities identified as disadvantaged through version 1.0 of the Climate and Economic Justice Screening Tool (CEJST), released on November 22, 2022, which includes census tracts that meet the thresholds for at least one of the tool's categories of burden and land within the boundaries of Federally Recognized Tribes.

The NREL link identified in the question does not include the full CEJST 1.0 set of LIDACs, only those related to the energy burden criteria. Please use this link, which is also referenced on HEC's website.

PROPERTIES PROVIDING AFFORDABLE HOUSING

Q - If a project is already HUD or USDA 515 certified, will it still need a separate LIDAC verification?

USDA Section 515 is referenced in one of the definitions of LIDAC is "Properties Providing Affordable Housing."

This is the definition of "Properties Providing Affordable Housing":

Properties providing affordable housing that fall within either of the following two categories: (a) multifamily housing with rents not exceeding 30% of 80% AMI for at least half of residential units and with an active affordability covenant from one of the following housing assistance programs: (1) Low-Income Housing Tax Credit; (2) a housing assistance program administered by HUD, including Public Housing, Section 8 Project-Based Rental Assistance, Section 202 Housing for the Elderly, Section 811 Housing for Disabled, Housing Trust Fund, Home Investment Partnership Program Affordable Rental and Homeowner Units, Permanent Supportive Housing, and other programs focused on ending homelessness that are funded under HUD's Continuum of Care Program; (3) a housing assistance program administered by USDA under Title V of the Housing Act of 1949, including under Sections 514 and 515; (4) a housing assistance program administered by a tribally designated housing entity, as defined in Section 4(22) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 USC § 4103(22)); or (5) a housing assistance program administered by the Department of Hawaiian Homelands as defined in Title VIII of the Native American Housing Assistance and Self-Determination Act of 1996 (24 CFR 1006.10) or (b) naturally-occurring (unsbsidized) affordable housing with rents not exceeding 30% of 80% AMI for at least half of residential units.

COMPLIANCE WITH BABA

Q - If panels are imported from India or China, what should we expect regarding BABA compliance and EPA waiver processes?

First, not every project will be subject to BABA. For example, some multifamily projects are not considered infrastructure and therefore will not trigger BABA compliance.

Second, if BABA applies to the project, the project developer will need to either request a waiver or comply with BABA.

For more details about BABA, please see this EPA Memo: Build America, Buy America Act (BABA) Implementation Procedures for EPA Office of the Greenhouse Gas Reduction Fund (OGGRF).

Finally, please note that BABA is not the only statute or regulation that considers the source of construction material. For instance, the domestic content adder for the ITC considers the source of construction material. And the recently-passed OBBBA legislation includes Foreign Entity of Concern "FEOC" provisions.

CHANGES TO PROJECT COSTS AND SCOPE AFTER RFP RESPONSE

Q - If project costs increase during underwriting, can the capital stack be revised or the loan request adjusted without resubmitting the application?

Yes. It is common for project cost estimates to change during the time between initial application and loan closing. The key consideration is whether a cost increase prior to loan closing requires additional credit analysis against acceptable terms in HEC's loan policy for Solar for All loans.

Q - Is a full proposal ready for signature required at submittal (which implies a full construction plan-set/drawings) or if the proposal submitted to Hope will still be able to be revised (with engineering site visit) following the award?

HEC understands that project plans may evolve after the RFP response is submitted and following any conditional notice of award to a project. HEC also expects projects to evolve during the underwriting stage.

However, in its evaluation of RFP responses, HEC will also evaluate projects for shovel-readiness.

DELAYS DURING THE CONSTRUCTION LOAN

Q - In the event of delays or material shortages, how flexible is HEC on construction timelines or cost adjustments?

HEC will offer a construction loan period of 6-12 months depending on the nature of project.

The construction period may be extended once for 3 months with payment of an extension fee equal to 0.25% of the original loan amount.

INTERCONNECTION STUDY

Q - Is an interconnection study or utility facility assessment required prior to proposal submission, or can it be deferred to post-award/pre-close diligence?

A – It is not required. However, please note that the evaluation criteria include consideration of how "shovel-ready" the project is.

TAX CREDIT ELIGIBILITY

Q - How will the RFP evaluation process take into consideration changes to the ITC from HR1? For example, will projects be allowed to do safe harbor and start projects to show 5% of project expenses, so to qualify for the ITC?

A. HEC's evaluation criteria values projects that monetize the ITC, specifically the selection criteria for shovel-readiness and also efficient utilization of the HEC's financial products and SFA subsidies.

HEC understands that changes to the ITC from HR1 may create a degree of uncertainty for developers. If your project's timeline coincides with ITC phase out deadlines, please be sure to communicate the steps that you will take to increase the likelihood of ITC monetization.

PROJECT FINANCIAL MODEL AND REQUIREMENTS

HEC-PROVIDED MODELS

Q- Can you share example cash flow simulations/mathematical models for the SFA financial products? It would greatly help the simulations.

HEC's evaluation criteria require it to assess a developer / owner's solar development experience, understanding of financing tools and understanding of the solar development markets in Arkansas and/or Mississippi. In order to make those assessments, HEC wishes to see developer models.

After the RFP window closes and prior to issuing financial assistance, HEC will engage in detailed modeling discussions.

DEBT SERVICE COVERAGE RATIO

Q - Does HEC have target ranges for DSCR or coverage ratios in underwriting?

HEC may be flexible on certain ratios including DSCR. For guidance on please refer to the following table for project-level DSCR, calculated on contracted revenue only and based on conservative "P50" solar system production estimates.

SFA LOANS	Construction-to-Perm Loan (non-forgivable portion)	Construction-to-Perm Loan (forgivable SFA portion)	ITC Bridge Loan
Sizing	1.40x minimum life-of-loan average DSCR in permanent period (solar only) 1.30x minimum life-of-loan average DSCR (solar + storage)	As needed to achieve SFA savings and DSCR targets up to 50% of total project costs.	95% of expected tax equity proceeds, assuming credit transfer at $0.80/credit

HOW TO DOCUMENT NON-UTILITY BENEFITS

Q - How should developers' model and document “equivalent benefits” like rent credits in pro formas?

Please include the cost of the non-utility benefits as an expense.

SPONSOR EQUITY

Q - If we plan to repay bridge financing using the Solar ITC, does that eliminate the need for upfront sponsor equity?

No. For the construction phase, HEC’s starting assumption will be that the Borrower will contribute at least 10% of TPC in cash before funding of the construction loan begins either from its own resources or from available incentives, rebates, or grants or outside equity investment. All financing of Sponsor equity must be subordinate to HEC’s first position in collateral and payment priority. In all cases, developer fees will be deferred to Substantial Completion at the earliest. HEC may count deferred developer fees towards Sponsor equity in certain circumstances. In the permanent phase, ITC proceeds may entirely replace the need for Sponsor equity to remain and the market standard is not to require, or to release, Sponsor equity if all Project costs are covered by debt and ITC proceeds.

Q - The RFP indicates HEC expects some sponsor equity during construction, possibly via deferred developer fees. Would a proposal that excludes equity—either in cash or in-kind—be penalized in scoring?

How HEC evaluates lack of equity will depend on the rationale provided for excluding equity.

Q - Can you clarify whether the developer fee must be retained within the capital stack during the operating phase to qualify as equity, or if full payout during construction is acceptable?

HEC’s commercial solar loan policy states that developer fees will be deferred during the construction phase until substantial completion of the project is reached. The policy also states that HEC may count deferred developer fees towards sponsor equity in certain circumstances. After the construction loan converts to a permanent loan, HEC does not require that sponsor equity remain in the capital stack. Specific details related to your project’s circumstances and equity requirements will be addressed during the underwriting phase.

SAVINGS CALULATION METHODOLOGY FOR MASTER-METERED UNITS

Q - If meter consolidation creates tension with demonstrating individual household savings—particularly in master-metered student housing—how should this be addressed in the model?

In this scenario, please consider how your model communicates savings at the master meter, generating post-solar non-utility financial benefits equivalent to 20% savings for each household. You can utilize the representative data savings methodology if actual utility bills are not available. To learn more about household savings methodologies, please visit https://hope-ec.org/solar-for-all/programs-resources/20-savings/.

DEVELOPER FEES

Q - Can deferred developer fees be included as part of the sponsor's equity contribution?

In all cases, developer fees will be deferred to Substantial Completion at the earliest. HEC may count deferred developer fees towards Sponsor equity in certain circumstances.

EPC SELECTION / PARTNERSHIPS

Q - Can HEC help identify or recommend vetted local contractors or preferred vendors who meet BABA and EPA requirements?

HEC has not vetted any contractors or vendors for participation in this RFP. As part of the evaluation process, HEC will consider developer experience.

For groups that would like help identifying contractors, HEC can provide contact information for developers – with the caveat that the developers provided have not been vetted.

For BABA compliance, at this time, HEC is not in a position to recommend vendors for BABA compliance. In the future, with the assistance of HEC's technical assistance partners, that may change.

Q - Would HEC view proposals more favorably if multiple EPC bids are included to demonstrate competitive pricing and risk hedging?

HEC's evaluation criteria do not specifically include a preference for multiple EPC bids. Projects will be evaluated and scored on their financial model, ability to generate positive cash flows, and efficient use of SFA subsidies.

Q - If multiple EPCs are proposed, does HEC require submission of bid documentation to verify that final EPC terms reflect market-tested pricing?

HEC requires that proposals include a project narrative that includes total project costs. HEC also requires that proposals include a completed Key Project Data Checklist that provides additional detail on project costs.

Q - Would a developer's pre-negotiated but unsigned EPC contract be acceptable at the proposal stage, or is a firm EPC commitment expected?

A firm EPC commitment is not required by HEC at the time of submission, but proposals will be evaluated and scored based on how "shovel-ready" they are. Examples of shovel-readiness stated in the RFP include credible site control, design, offtake procurement, and construction plans.

INTERCONNECTION COSTS

Q - For modeling purposes, is HEC requiring that all utility-related infrastructure assumptions (e.g., substation upgrades, meter consolidation, switchgear specs) be finalized in advance to validate the fixed cost savings?

HEC understands that project costs may change between the time of the proposal and the loan closing stage. That said, Project proposals that demonstrate higher confidence in project costs may be deemed more shovel-ready relative to projects with less certainty.

Additionally, projects that demonstrate less certainty at the RFP stage run higher risk of not being able to complete the higher level of due diligence required of the loan underwriting process that will follow a notice of award. This is especially a concern if ultimate project costs result in a request for loan forgiveness that is materially higher than proposed during the RFP stage.

DISBURSEMENT STRATEGY

Q - In today's solar market installation climate, long lead items such as electrical switchgear, batteries and other equipment, down payments or payment in full are required to secure firm pricing and delivery schedules. Does HEC anticipate in the escrow structure suggested in the RFP allowing for full disbursements for materials on order status if those are the supplier terms?

Use of an escrow account is different than the disbursement schedule, which will be defined in loan closing documents. HEC looks forward to defining these details with respondents after a potential notice of award.

Q - How does HEC intend to structure the disbursement requests, monthly, percentage work complete, or milestones? Is there a lien release requirement for the disbursed funds?

HEC is in the process of further defining disbursement requirements.

BONDING REQUIREMENTS

Q - Is a completion bond required for this procurement from the installer? Would a 10% labor cost retainage released upon successful commissioning of the system be sufficient protection for the escrowed funds?

Bonding will be required for the SFA-funded loan to close during the underwriting stage. Proof of that bond is not required during the RFP stage.

Q - Are there specific insurance, bonding, or contracting requirements HEC expects from EPCs or subcontractors?

During the underwriting stage, HEC will require certain forms of insurance and bonding for projects and borrowers, as well as their subcontractors. Proof of insurance and bonding is not required during the RFP stage.

INTERNAL RATE OF RETURN (IRR)

Q - How will HEC assess "overcompensation" or excessive IRR? Is there a specific IRR cap or threshold?

HEC will consider overcompensation in a number of ways, depending on the parties involved in the project. For example, solar developers who will receive a developer fee should not charge in excess of market rates.

In terms of IRR, HEC has not set a cap or threshold that would disqualify a project. Given the variation in financial models, HEC needs to be able to review a given project's financial model -- and potentially ask follow-up questions about the proposal -- prior to forming an opinion about IRR for that specific project.

SUBSIDY AND FINANCIAL PRODUCT COMMUNICATION

Q - In addition to specifying the preferred financial product(s) (e.g., forgivable loan, construction-to-perm), should proposals include:

- **A target interest rate and term structure?**
- **The total dollar amount of subsidy requested (e.g., loan forgiveness amount or below-market spread)?**
- **Or is it sufficient to describe financial needs qualitatively, leaving quantitative structuring to HEC's discretion**

The RFP Response Narrative requests that Proposals include the total HEC financing requested. Respondents should also be sure to complete the Key Project Data Checklist.

Finally, respondents may also choose to submit a project financial model that could include specific interest rates, term structures, etc.

ADDITIONALITY

WHAT IS ADDITIONALITY

Q - Can multifamily owners use project savings to support services they already offer (e.g., shuttle, security)? Would that qualify as "additionality"?

Yes. Support services, whether or not the services are currently offered, are an acceptable form of delivering non-utility benefits.

The question highlights two potential examples of support services – shuttle and security. Both are listed in the HUD memo attached to the RFP, which has been cited by the EPA as including examples of acceptable forms of non-utility benefits.

PLEASE NOTE Increased operating or replacement reserves for the property are included in the HUD memo but are <u>not</u> an acceptable form of non-utility benefits for Solar for All proposals.

HEC encourages proposals to consider non-utility benefits that may be unique to the project and desired by benefiting households. For non-utility benefits that are not listed in the HUD memo attached to the RFP, HEC will seek approval from EPA of the non-utility benefit proposal.

Additionality, within the context of Solar for All, is not relevant to consideration of the type of non-utility benefit. While "additionality" is not a defined term in the Solar for All program, it is used by HEC to refer to the language in 42 U.S. Code § 7434(b)(1)(B), which required that Solar for All awardees prioritize investment in projects "that would otherwise lack access to financing".

PROOF OF ADDITIONALITY

Q - In line with the RFP's emphasis on "Additionality" as a scoring criterion, does HEC expect proposals to include a discrete financial model (or model tab) demonstrating the project is not financeable at market rates?

If yes, should this be structured as a base-case scenario under standard financing assumptions (e.g., market-rate debt, no forgiveness) to contrast with the proposed SFA-backed structure?

No. The RFP requests this information as a narrative response – "Describe why the version of your project presented in this RFP is not viable without SFA financing terms; please state whether the project is able to secure financing with similar terms to SFA from other capital providers."

The RFP also provides an opportunity to share your project model, which could include multiple scenarios or traceable formulas that enable HEC to better understand how project economics and assumptions relate to the request for a lower interest rate and principal forgiveness.

Finally, all RFP responses must also include a completed Key Project Data Checklist.

ADDITIONAL QUESTIONS FROM OFFICE HOURS

July 29, 2025 and August 4, 2025

CONSTRUCTION LOAN ADMINISTRATION

Q - Does HEC have a preference between monthly and milestone-based construction loan draws?

HEC can accommodate both monthly and milestone-based construction draws. HEC's default approach is currently monthly draws.

Q - Can you provide more detail on the escrow option for construction funds and the rationale behind it?

The escrow option relates to federal procurement rules found at 2 CFR 200.305(8) that govern draw down of grant funds by HEC.

The specific language allows a draw down to "escrow accounts established to ensure satisfactory completion of work".

HEC's RFP includes a question on the escrow topic so that it can assess whether borrowers need HEC to draw down funding for the entire construction loan amount into the escrow account, in order to ensure completion of the . This option was requested by some developers, particularly smaller developers, who wanted assurance that their funding is available in a third-party escrow account.

The escrow option does not affect project scoring and is simply an operational preference that borrowers can request.

LOAN TERMS AND CONDITIONS

Q - Are there prepayment penalties on HEC's permanent loans?

No, there are no prepayment penalties on HEC's Solar for All loans.

Q - How does early repayment affect project scoring?

While early repayment capability is not a scoring criterion in the RFP evaluation, we cannot categorically exclude the implications pre-payment may have to other aspects of the proposal that would affect scoring. For example, the ability to prepay may require additional analysis of elements like the amount of forgivable FA requested.

Q - Can loan terms be extended to 25 years if benefits are also extended to that period?

HEC's current board-approved loan policy specifies an amortization period to the earlier of revenue contract expiration or 20 years. While this policy generally cannot exceed 20 years, HEC may consider flexibility on a case-by-case basis if required for project viability. Applicants should communicate clearly if extended terms are necessary for their proposal to work.

Q - What are the origination fees and other costs associated with HEC's financial products?

Current policy includes a 1% origination fee for the construction-to-permanent loan and a 1% origination fee for the ITC bridge loan. There is no origination fee for the forgivable portion of the loan if treated as a separate loan. Borrowers can request fee waivers, which is an allowed use of Solar for All grant funds by HEC.

REPORTING

Q - If a loan is repaid early, what does ongoing reporting look like?

HEC will need to clarify with EPA regarding reporting requirements after early loan repayment. EPA's expectation is that projects are followed for the life of the financial assistance, which may mean the life of the technology or at least the length of the contract.

TAX AND REPORTING IMPLICATIONS

Q - How is loan forgiveness treated for tax purposes?

HEC expects to issue appropriate tax documentation (likely a 1099) when loan forgiveness officially occurs. However, borrowers should consult with their own tax professionals regarding the specific tax treatment, as HEC cannot provide tax advice on whether forgiveness should be treated as income or a reduction in depreciable basis.

PROJECT APPLICATIONS AND SCENARIOS

Q - Can one application include two scenarios for the same project (e.g., solar-only versus solar-plus-storage)?

Applicants should submit separate proposals per scenario so that HEC can evaluate each proposal separately. Remember that there is no limit on the number of submissions per developer.

Q - If I have multiple special purpose entities (SPEs) with 1 MW projects under common ownership, do I need separate applications?
Yes, these would constitute separate projects requiring separate proposals, even with shared common ownership. This is similar to HEC's expectation that developers may submit multiple projects. Applicants can incorporate common elements across proposals to avoid duplicating work.

Q - What constitutes a non-responsive proposal under the RFP process? Will applicants have an opportunity to clarify or update their submissions during this stage?
A proposal will be deemed non-responsive if it fails to include all required components outlined in the RFP. For example, submissions that do not include a financial or project model or fail to complete the project checklist in full will be considered non-responsive and may be disqualified from further consideration.

HEC may reach out to applicants to clarify specific inputs or data if certain elements. However, this opportunity is limited and should not be relied upon to supplement missing components.

Q - What units should be used for reporting power values?
All kW and MW values should be reported in AC, not DC.

Q - If benefits are being delivered to households through bill savings but treated as a cost in the project model, how should those financial benefits be represented in the project submission?
If household savings are delivered through bill reductions, the primary method for communicating this is by completing the offtake section of the project checklist. This allows HEC to incorporate the data into its RFP evaluation model to assess whether the project achieves the required 20% bill savings in the first year and over the lifetime of the offtake agreement.

HEC recognizes that some projects – particularly residential-serving Community Solar – may include multiple offtakers; for example, one cohort receives SFA-supported bill savings, and another pays market-rate. In such cases, developers may choose to model the SFA-supported bill savings as a cost line item to reflect the financial structure accurately.

If savings are modeled this way, they can be reported in dollar terms within the non-utility financial or non-financial benefits section of the data checklist. Importantly, these dollar savings should be clearly tied to the number of households benefiting from the savings by completing the "Number of SFA-eligible households" row in the project checklist.

This approach ensures that HEC can properly account for both the financial impact on households and the efficiency of SFA fund usage during evaluation.

PROJECT CLASSIFICATION AND LIDAC REQUIREMENTS

Q - For campus projects serving both residential and non-residential buildings, how should the project be classified?

The key question for classification is whether the project exclusively benefits residential customers in a multifamily building. If not, the project should conform with residential-serving community solar requirements, which require at least 50% of the benefits to go to residential customers within the same utility territory.

For campus projects with mixed-use buildings, the residential-serving community solar classification may be more appropriate, especially when benefits are shared between residential and non-residential users.

Q - For community solar projects, if the solar facility is not in a LIDAC area but the rate payers receiving at least 20% savings are in LIDAC areas or meet other guidelines, is that acceptable?

Yes, the key requirement focuses on the location of the households receiving benefits. Community solar allows delivery of benefits to qualifying households as long as they are within the same utility territory as the facility.

NON-UTILITY BENEFITS

Q - Can energy efficiency and facility upgrades funded by solar savings qualify as household benefits under the program?

Yes, facility upgrades including energy efficiency improvements are specifically listed in the HUD memo referenced in the RFP as acceptable forms of non-utility benefits. For projects where direct utility bill savings are challenging (such as master-metered buildings), using solar savings to fund building improvements that benefit residents can be an acceptable approach.

EPA may seek additional documentation showing that beneficiaries actually desired these improvements and that the benefits provide tangible value to residents' lives.

Q - Would scholarship programs for students qualify as acceptable non-utility benefits?

Scholarship programs may be acceptable but would require EPA approval since they are not explicitly listed in the HUD memo. HEC notes that the HUD memo is specifically designed to avoid increasing residents' incomes in ways that might disqualify them from other low-income benefits programs. HEC can work with applicants to discuss such proposals with EPA for potential approval.

STORAGE AND TECHNICAL REQUIREMENTS

Q - Are storage-only projects (without solar) eligible for the program?

No.

Q - How should battery storage savings be quantified for household benefits?
At this time, HEC does not have a predetermined methodology for quantifying all the potential benefits of storage. HEC expects that proposals with batteries will be able to demonstrate, at a minimum, lower utility bills via self-consumption of solar power stored in those batteries.

For projects that choose to add storage and do not model 20% savings, HEC expects those proposals to demonstrate that the beneficiaries who would have received 20% savings have chosen to receive the non-financial benefits of storage, in lieu of higher modeled savings. The proposal must also ensure that the household would not pay more, on an annual basis, than their pre-solar household utility bill as a result of inclusion of the battery and associated costs.

TRANSFERABILITY AND TAX CREDITS

Q - Does HEC have relationships with tax credit purchasers for transferability?
HEC does not have established relationships with tax credit buyers or an off-the-shelf solution for projects that wish to monetize tax credits via transferability. Developers that wish to transfer tax credits may be able to find purchasers through third-party market-makers that facilitate these transfers.

POWER PURCHASE AGREEMENT (PPA)

Q - Can PPA structures be used, and how does this affect scoring?
PPAs are acceptable where legally permissible. HEC's evaluation will not preference specific third-party ownership models, unless the chosen model is not viable in that market. For example, PPAs are not viable in many utility markets.

SFA RULES FOR RESIDENTIAL-SERVING COMMUNITY SOLAR

Q - In residential-serving Community Solar (CS) projects, is it necessary for 50% of the energy generated to be directly delivered to Low-Income and Disadvantaged (LIDAC) households, or can the required benefits be provided through other means?
No, under the EPA's SFA program Terms and Conditions, it is not required that 50% of the actual energy output be directly delivered to LIDAC households. However, at least 50% of the total project benefits – which may include bill savings, ownership stakes, community economic benefits, or other qualifying non-energy advantages – must be delivered to LIDAC households located within the same utility service area. The emphasis is on ensuring equitable distribution of benefits, not just energy output, to advance environmental justice and affordability objectives.

RFP EVALUATION AND SCORING

Q - How will the Financial Assistance per Household served (FA/HH) metric influence project scoring?

The forgivable Financial Assistance per Household served (FA/HH) is an efficiency metric in the evaluation process. It measures how effectively a project uses SFA funding to deliver meaningful benefits – particularly the program's core objective of achieving at least 20% electricity bill savings for participating households. While the FA/HH metric is an important factor in scoring, it is just one of several components considered during the evaluation. Projects will be assessed holistically, including their impact, equity outcomes, readiness, and alignment with program goals.

FUTURE FUNDING OPPORTUNITIES

Q - What happens if demand for funding under this RFP exceeds the available program resources?

If demand exceeds the available funding in the current RFP round, HEC can use program income generated from prior project loans to support a subsequent RFP, expanding the funding opportunities for multifamily and community solar projects in Arkansas and Mississippi.

COLLATERAL FOR UNDERWRITING

Q – What materials/equipment would be used as collateral or the property?

While this question is not directly relevant to the RFP submission, HEC expects to have a first priority lien on the solar facility and its related interests, as follows:

- Collateral assignment of lease or other site control method (e.g., easement, license)
- UCC-1 blanket lien on all project assets and bank accounts
- If an SPE has been created for the project (which is common in some types of ITC structures), pledge of all equity in the ownership chain from project company to Sponsor
- Collateral assignment of construction contracts
- Collateral assignment of customer solar lease with acknowledgement from customer
- Mandatory prepayments for any supplemental forms of revenue, including renewable energy credit sales, grants, rebates or monetization of tax credits
- Additional insured and loss payee on insurance policies