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# Operationalizing Energy Audits for the Energy Efficiency Revolving Loan Fund Capitalization Grant Program (BIL Section 40502)

Section 40502 of the Infrastructure Investment and Jobs Act establishes the [Energy Efficiency Revolving Loan Fund \(RLF\) Capitalization Grant Program](#), which makes funds available to state energy offices for loans supporting energy efficiency and clean energy projects. All projects supported by this program must conduct energy audits that meet RLF Program requirements.

This document outlines a suggested sequence of actions for states to set up a compliant and effective energy auditing approach (section A). Section B details additional tips for coordinating energy audits with upgrade and retrofit requirements. RLF Program audit-related resources are linked in section C of this document.

## A. Steps to create an effective and compliant energy audit process

1. **Define energy auditor eligibility requirements/criteria.**
  - a. If the program will require the energy audit to be performed by “approved” energy auditors (e.g., auditors with a certification, or auditors who have completed training on RLF audit requirements), establish:
    - i. requirements/criteria for participating auditors;
    - ii. a process for new auditor approval; and
    - iii. a process for building owners to confirm that they are working with an approved energy auditor.
  - b. If the program will not “approve” auditors, define any certification/experience requirements for auditors who complete energy audits.
2. **Review resources for energy audits on the [RLF Resource Library](#)** (Part 3, Energy Audits), including the [RLF Energy Audit Guide](#). Share resources with energy auditors to confirm adherence with program requirements.
3. **Determine whether the RLF program will offer grants or other incentives for energy audit costs and, if applicable, design a process for issuing the grants.**
  - a. If using RLF Program grants to fund audits, review the RLF Program eligibility for individuals receiving grants for audits, upgrades, and retrofits in commercial and residential buildings on page 4 of the [RLF Application Instructions](#).
  - b. Determine a process for verifying recipient eligibility for grants or other incentives.
  - c. **If the recipient is eligible to receive grants under RLF Program requirements:**
    - i. Determine whether costs will be paid up front or reimbursed after completion.
    - ii. Determine whether the program will pay/reimburse full cost, or partial cost, and are there any dollar limits (e.g., grants up to \$500 for energy audits).
    - iii. Determine if the grant is dependent (in full or in part) on whether building owners proceed with one or more recommendations of the energy audit report. For example, the program could make partial payment upon completion of the audit and pay the balance upon documentation that building owner has implemented energy audit recommendation(s).



- iv. Establish a process for entities to apply for energy audit grants, and for providing approval (by the state energy office (SEO) or its program implementation contractor).
      - v. Establish a process for the energy auditor to request payment (e.g., upfront, or upon energy audit completion).
    - d. **If the RLF program borrower is not eligible to receive grants under the RLF Program**, consider options for funding or financing the audit and provide this information to RLF borrowers. Options may include:
      - i. The audit cost could be rolled into the loan to finance upgrades/retrofits for recipients who proceed with a project.
      - ii. The audit recipient pays the audit cost.
      - iii. The recipient's utility may have a program to support audit costs.
4. **Identify the audit tool(s) to be used by auditors and confirm they comply with the RLF energy audit requirements** in the table on page 21 of the [RLF Application Instructions](#). DOE recommends Audit Template for commercial and multifamily residential projects and will consider approval of other audit software that is BuildingSync compatible; DOE recommends Home Energy Score for single family residential projects, but alternative scoring tools equivalent to Home Energy Score are permitted, including the RESNET Home Energy Rating System (HERS).
  - a. **If applicable, establish a process for energy auditors to request permission to use audit software not already approved or recommended by DOE.** If requesting permission to use an alternative software solution:
    - i. Gather background information from the auditor on the audit software tool they propose to use and their prior experience with using the tool. Assess whether and how the audit software meets the commercial or residential (including multifamily) audit requirements in the table on page 21 of the [RLF Application Instructions](#).
    - ii. Obtain a copy of an example audit report.
    - iii. Submit this information to your DOE Project Officer and the [EERevolvingLoanFund@hq.doe.gov](mailto:EERevolvingLoanFund@hq.doe.gov) inbox for review and approval of the proposed alternative audit software.
5. **Create a process for the auditor and/or project seeking an RLF program loan to submit energy audit reports.**
  - a. For Audit Template and Home Energy Score, completed audit reports can be downloaded by the auditor and sent to the SEO (or program administrator) by email or through a state web portal.<sup>1</sup>
  - b. For other audit software, address how the auditor will submit completed audit reports for review and approval.
6. **Establish a process for the SEO (or its program administrator) to review the energy audit reports to ensure that the audit is compliant with RLF Program requirements** contained in the table on page 21 of the [RLF Application Instructions](#) and the [RLF Program Implementation FAQ](#).
7. **Establish a process for communicating approval of the project energy audit** to the borrower or project lender so they may proceed with the RLF loan.
8. **Establish a tracking system to collect information from each audit report for required quarterly reporting in PAGE.** States are required to report the number of audits funded with loans as well as audit metrics under Metric Area 3 ([RLF Application Instructions](#), pgs. 17-18). This could be accomplished by creating a master spreadsheet to collect and summarize these information

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<sup>1</sup> If a state expects a large volume of Audit Template reports, they can consult with the RLF Team to explore an Audit Template solution for processing a portfolio of reports.

attributes, or by developing some other type of system to collect this data. Refer to the April 2024 SEP Office Hours on RLF Reporting ([slides](#), [recording](#)) for information about required reporting.

9. **Collect and store completed energy audit reports** in accordance with the grant recipient's record retention policies. Example energy audit reports may be requested on an SEP Project Officer monitoring visit.

## B. Tips for coordinating energy audits and upgrades/retrofits:

1. When reviewing upgrade/retrofit measures to be funded or financed with an RLF grant or loan, review the energy audit to **ensure each measure is included in the energy audit**. The RLF Program requires all upgrades and retrofits be identified in a qualifying energy audit (see the [RLF Application Instructions](#) and the [RLF Program Implementation FAQ](#)).
  - a. If the details of the costs included in the RLF loan include project measures that were not included in the energy audit report, these measures would need to be confirmed by the energy auditor as being appropriate, and the energy auditor should produce a revised energy audit report to include these measures, or they should be omitted from the RLF loan.
  - b. If the energy audit report includes project measures that the borrower or recipient decided not to proceed with and are not included in the RLF loan or grant, no adjustment is necessary to the energy audit report. However, in reporting metrics information about the retrofits supported by the RLF loan, the SEO would need to only include information about the project measures that were included in the RLF loan.
2. The energy audit can be helpful for **demonstrating lifecycle cost-effectiveness of the upgrade/retrofit package**, a requirement of the RLF Program (see the [RLF Application Instructions](#) and the [RLF Program Implementation FAQ](#)), as RLF energy audits are required to include lifecycle cost-effective recommendations. For example, Audit Template reports include lifecycle cost-effectiveness calculations for measures included. Check if the audit report you are using includes this calculation for each measure; if it does not, ensure this calculation is included in the upgrade/retrofit package before approving it.
  - a. Regarding calculation of lifecycle cost-effectiveness, see the [RLF Application Instructions](#): *"States are encouraged to calculate in a manner that best suits their program, market being served, and available data sources. For the cost-effectiveness calculation, states are strongly encouraged to include at least life-cycle energy savings as well as the cost of energy efficiency measures. Further, states may opt to calculate cost-effectiveness with additional quantifiable factors such as interest payments over the life of the loan, the social cost of carbon, and health benefits."*
3. **Establish a tracking system to collect information attributes about RLF upgrades/retrofits**, which will include information from the audit report, to support periodic reporting in DOE's PAGE system. Refer to Metric Area 4 in the [RLF Application Instructions](#) for the information attributes required to be collected and summarized. This could be accomplished by creating a master spreadsheet to collect and summarize these information attributes, or by developing some other type of system to collect this data.

## C. Energy audit resources:

1. The [RLF Energy Audit Guide](#) is a collection of resources for residential and commercial auditor training, audit tools (e.g., Home Energy Score, Audit Template), audit tool demonstrations, and audit considerations when braiding funding programs.
2. The [RLF Program Implementation FAQs](#) address common energy audit questions related to RLF programs developed under Section 40502.



3. The “[Building Successful Partnerships with Energy Auditors and Project Contractors](#)” webinar provides information on how to effectively partner with energy auditors and project contractors for RLF programs for state clean energy revolving loan funds.

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