



Small Utility Clean Energy Planning

Grant Plan

Illinois Climate Pollution Reduction Grant

Final as of April 30, 2025

Background

The United States Congress approved the Inflation Reduction Act (IRA) which authorized the United States Environmental Protection Agency (USEPA) to implement the Climate Pollution Reduction Grants¹ (CPRG) program, allocating \$5 billion in grants to be lawfully awarded to states, local governments, tribes, and territories to develop and execute ambitious plans to reduce greenhouse gas emissions and other harmful air pollutants.

In March 2024, the Illinois Environmental Protection Agency (IL EPA) submitted its Priority Climate Action Plan (PCAP), followed by the Illinois State Climate Pollution Reduction Grant (CPRG) Application. As a result, in July 2024, the USEPA lawfully awarded Illinois \$430 million under CPRG to support emissions reductions across five key sectors: clean buildings, clean freight, clean agriculture, clean industry, and clean power.

The Illinois Finance Authority (IFA)/Illinois Climate Bank received a subaward of \$137 million to implement several initiatives as outlined in the grant agreement between the USEPA and IL EPA. These initiatives include:

- Task 1.1: Clean Building Catalyst Fund
- Task 1.6: Community Geothermal Planning and Pilots
- Task 1.7: Stretch Building Code Adoption
- Task 2.1: Heavy-Duty Vehicle Charging
- Task 2.3: Zero-Emissions On-Road and Off-Road Vehicles
- Task 5.2: Small Utility Clean Energy Planning

The Small Utility Clean Energy Planning Grant Program will support municipal utilities and cooperative utilities in aligning power generation planning and procurement with the goal under the Climate and Equitable Jobs Act² (CEJA), a State of Illinois law, of 100% carbon-free power by 2045. The program will provide financial assistance to support the planning and implementation of clean energy strategies, including the transition away from fossil fuels, and to track resulting greenhouse gas (GHG) emissions reductions related to those strategies. This program is designed to ensure that small utilities can fully participate in Illinois' clean energy transition by building the capacity to plan, execute, and evaluate their progress toward CEJA-aligned goals of the State of Illinois.

Purpose

The Small Utility Clean Energy Planning Grant Program is designed to facilitate the transition of municipal and cooperative utilities to cleaner energy sources by supporting their planning efforts. The program will provide financial assistance for technical assessments, procurement

¹ <https://www.epa.gov/inflation-reduction-act/climate-pollution-reduction-grants>

² <https://www.illinois.gov/news/press-release.23893.html>

strategies, and implementation planning to help these utilities secure renewable power purchase agreements (PPAs) and integrate clean energy generation into their portfolios.

Through this grant program, municipal and cooperative utilities will receive funding to assess their energy needs, evaluate available renewable energy options, and develop procurement strategies that align with the statutory decarbonization goals of the State of Illinois. The initiative aims to equip utilities with the resources needed to navigate the complexities of clean power integration, ensuring compliance with state and federal climate policies while maintaining reliable and affordable electricity service.

Grant Funding and Administration

Funding Overview

The program will allocate \$2 million over five years, providing approximately two grants annually. Each grant will provide up to \$200,000 to municipal or cooperative electric utilities on a competitive basis to support strategic clean energy planning, procurement, and implementation efforts.

Eligible Activities

Grant funding can cover a variety of activities aimed at supporting small utilities in transitioning to clean energy sources. Eligible activities include:

- Conducting technical and financial assessments to determine renewable energy options.
- Performing needs assessments and identifying ways to replace fossil fuels with renewable energy.
- Developing strategic power system and generation plans that align with State of Illinois goals under CEJA.
- Securing renewable energy power purchase agreements (PPAs).
- Hiring external consultants or firms to assist in clean energy transition planning and procurement.
- Identifying and leveraging opportunities to replace fossil fuel contracts with renewable energy agreements.
- Formulating GHG emissions baselines and tracking GHG emissions reductions.

Municipal Utility Contract Decisions

Many municipal utilities are facing key decisions regarding long-term energy procurement, balancing financial constraints with state climate goals and are evaluating alternative energy procurement strategies.

Some municipalities are facing imminent deadlines and decisions regarding their ongoing energy procurement and contracts. IFA/Climate Bank sees this grant program as a timely opportunity for municipalities to engage in strategic planning to assess their energy needs,

explore renewable procurement options, and align their power generation strategies with State of Illinois goals under CEJA. By providing structured financial support, the program aims to assist municipal utilities in navigating their contract renewals by developing plans and providing resources for implementation, creating pathways toward a cleaner energy future.

Grant Application and Selection Process

Application Process

The grant application will be launched in Spring 2025 through the Illinois GATA and Amplifund system. Details such as notice of funding opportunities (NOFOs) will be posted on the IFA/Illinois Climate Bank website in advance of the grant launch. Announcements will be distributed via IFA/Illinois Climate Bank's electronic mailing list, and the funding opportunity will remain open for at least 30 days.

Outreach Strategies

To encourage participation, IFA/Illinois Climate Bank will conduct targeted outreach through existing utility networks, leveraging communication channels established under the congressionally approved and lawfully awarded federal 40101d (or GRID) grant program to municipal and cooperative utilities through the United States Department of Energy (USDOE). This will include direct engagement with municipal and cooperative electric utilities, as well as coordination with industry associations and regulatory bodies. This is the fifth NOFO, consistent with Illinois GATA and using the Amplifund system, initiated by IFA/Illinois Climate Bank using congressionally approved and lawfully awarded federal funds to benefit the people of Illinois.

Timeline

IFA/Illinois Climate Bank will administer funding under this opportunity over 5 years, with about \$400,000 available each year, starting in 2025. The anticipated timeline for the 2025 grant process is as follows:

- Spring 2025: NOFO posted in Illinois GATA system and Amplifund
- 30 days after launch: Grant opportunity closes
- Following 4 weeks: Grant applications reviewed
- Following 4-6 weeks: Grant award notices issued and contracting phase begins
- Following 8 weeks: Evaluate grant uptake and the opportunity to reopen the program funding opportunity for additional applications under the 2025 allocation.

Eligible Applicants

Municipal and cooperative electric utilities in Illinois are eligible to apply.

Geographic Priority

Priority will be given to municipal or cooperative utilities serving a significant population of communities designated as Equity Investment Eligible Communities³ (EIEC) under CEJA, an Illinois State law, which include R3 areas with historical economic disinvestment and environmental justice communities disproportionately burdened by pollution.

Evaluation Criteria

Applications will be reviewed competitively, with priority given to utilities that demonstrate:

- A clear commitment to transitioning to renewable energy
- Alignment with CEJA and Illinois State climate goals
- A measurable commitment to decreasing greenhouse gas emissions
- Financial and technical readiness to engage in renewable energy procurement

Program Metrics and Reporting

Key Performance Indicators

The program will track the number of utilities engaging in clean energy procurement planning, the total megawatts of renewable energy secured through PPAs, the displacement of carbon-emitting energy sources, the associated greenhouse gas emissions reductions, and the percentage of municipal and cooperative utilities transitioning away from fossil fuel-based power contracts.

Ongoing Review and Adjustments

The program will be reviewed annually to assess the effectiveness of funding opportunities, barriers to adoption, and potential program modifications. Adjustments to the solicitation and funding process will be made based on feedback.

Reporting Requirements

Grantees will be responsible for ensuring all reporting requirements associated with the federal funding are met. This includes providing timely and accurate reporting to the IFA/Illinois Climate Bank in compliance with all federal and programmatic obligations. IFA/Illinois Climate Bank will ensure that reporting processes are adjusted as necessary to meet updated or additional requirements issued by USEPA and IL EPA. Reporting will include, but is not limited to, project financial and activity reports.

³ <https://energyequity.illinois.gov/resources/equity-investment-eligible-community-map.html>

Future Program Expansion

Additional Rounds of Funding

New rounds of funding will be available at least annually. Depending on demand, additional funding cycles may be introduced within a given year, and the grant application period may be extended beyond 30 days based on interest and resource availability.

Integration with Broader Climate Goals

The Small Utility Clean Energy Planning Grant Program aligns with the overarching goals of federal CPRG, the State of Illinois CEJA law and policy, and the IFA/Illinois Climate Bank by reducing fossil fuel dependence, promoting renewable energy procurement, and fostering long-term sustainability in Illinois' power sector.