



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB3399

Introduced 2/18/2025, by Rep. Marcus C. Evans, Jr.

SYNOPSIS AS INTRODUCED:

New Act

Creates the Geothermal Homes and Business Act. Provides that, beginning January 1, 2026, the long-term renewable resources procurement plan developed by the Illinois Power Agency shall include a Geothermal Homes and Business Program for the procurement of geothermal renewable energy credits. Sets forth provisions concerning the geothermal heating and cooling system calculation methodology; Program block allocation; Program block pricing; approved vendors; contract terms; utility cost recovery; extenuating circumstances; administration of the Act by the Illinois Power Agency; and the prohibition of double claiming geothermal renewable energy credits. Effective immediately.

LRB104 10086 AAS 20158 b

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 1. Short title. This Act may be cited as the
5 Geothermal Homes and Business Act.

6 Section 5. Findings. The General Assembly finds that:

7 (1) Geothermal heating and cooling systems leverage
8 the year-round stability of the earth's underground
9 temperature, which creates renewable energy potential, in
10 order to provide a zero-cost base temperature for space
11 heating or cooling and water heating.

12 (2) The Geothermal Homes and Business Program would
13 promote innovation in, and production and use of,
14 geothermal heating and cooling systems that (i)
15 significantly reduce ratepayer impacts and spur economic
16 development in the State, (ii) expand job opportunities
17 for State trade-based labor and manufacturing in the
18 United States, (iii) bolster resiliency and support State
19 infrastructure, and (iv) mitigate local pollution and
20 global greenhouse gas emissions.

21 (3) Incentives generated through the use of
22 State-sited geothermal heating and cooling systems under
23 this Act will promote innovation and investment in

1 geothermal heating and cooling systems.

2 Section 10. Definition of qualifying systems. As used in
3 this Act:

4 "Agency" means the Illinois Power Agency.

5 "Commission" means the Illinois Commerce Commission.

6 "Geothermal heating and cooling system" or means a system
7 located in this State that meets all of the following
8 requirements:

9 (1) exchanges thermal energy from groundwater or a
10 shallow ground source to generate thermal energy through
11 an electric geothermal heat pump or a system of electric
12 geothermal heat pumps interconnected with any geothermal
13 extraction facility that is (i) a closed loop or a series
14 of closed loop systems in which fluid is permanently
15 confined within a pipe or tubing and does not come in
16 contact with the outside environment or (ii) an open loop
17 system in which ground or surface water is circulated in
18 an environmentally safe manner directly into the facility
19 and returned to the same aquifer or surface water source;

20 (2) meets or exceeds the current federal Energy Star
21 product specification standards;

22 (3) replaces or displaces less efficient space or
23 water heating systems, regardless of fuel type;

24 (4) replaces or displaces less efficient space cooling
25 systems;

1 (5) does not feed electricity back to the grid, as
2 defined at the level of the geothermal heat pump; and

3 (6) became operational on or after June 1, 2017.

4 "Program" means the Geothermal Homes and Business Program.

5 Section 15. Program establishment. Beginning January 1,
6 2026, the long-term renewable resources procurement plan
7 developed by the Agency shall include a Geothermal Homes and
8 Business Program for the procurement of geothermal renewable
9 energy credits. The Program shall be designed to provide for
10 the steady, predictable, and sustainable growth of new
11 geothermal heating and cooling system deployment in the State

12 Section 20. Categorization. Qualifying systems for the
13 Program shall be organized into 3 categories based on
14 structural features and use-cases: (i) Residential, (ii)
15 Commercial, and (iii) Public or Environmental Justice. These
16 categories shall be defined at the discretion of the Agency.

17 Section 25. Geothermal heating and cooling system
18 calculation methodology. Energy derived from a geothermal
19 heating and cooling system shall be eligible for inclusion in
20 meeting the requirements of the Program. Eligible geothermal
21 renewable energy credits shall be created by calculating the
22 difference between the load served by the geothermal heating
23 and cooling system and the load served by a less efficient

1 baseline system for space heating and cooling or water
2 heating. To make this calculation, the Agency shall identify
3 an appropriate formula supported by a geothermal industry
4 trade organization. This formula shall generally reflect
5 calculation methodologies already in use for other State
6 renewable portfolio standards. The Agency shall determine the
7 form and manner in which such geothermal renewable energy
8 credits are verified, in accordance with national best
9 practices.

10 Section 30. Program block allocation.

11 (a) As used in this Section, "period" means each Program
12 delivery year through a specified delivery year.

13 (b) The Program shall include the following for eligible
14 projects for each delivery year:

15 (1) a block of geothermal renewable energy credit
16 volumes;

17 (2) a price for geothermal renewable energy credits
18 within the identified block; and

19 (3) the terms and conditions for securing a spot on a
20 waitlist once the block is fully committed or reserved.

21 The Agency shall strive to issue blocks sized to provide
22 for stability and market growth.

23 (c) The Agency shall propose a block for each Program
24 delivery year through the delivery year beginning in 2035.
25 Before the close of the period in 2035, the Agency shall

1 propose blocks for each Program delivery year for the next
2 period, beginning in 2036 and ending at the discretion of the
3 Agency. The Agency shall continue to establish subsequent
4 periods.

5 (d) The waitlist of projects in a given year shall carry
6 over to apply to the subsequent year when another block is
7 opened. For each category for a delivery year, the Agency
8 shall determine the amount of geothermal renewable energy
9 credit volumes available in each block and the purchase price
10 for each block, if the purchase price provided and the total
11 geothermal renewable energy credit volume in all blocks for
12 all categories shall be sufficient to meet Program goals.

13 (e) Systems in any of the categories listed in Section 20
14 may reserve volumes in the annual block. However, at least 50%
15 of each annual block shall be reserved by systems that meet the
16 Agency's definition of "Residential". At the Agency's
17 discretion, certain volumes of an annual block may be reserved
18 for the Public or Environmental Justice category at a price
19 that makes it feasible and affordable for buildings such as
20 public schools, military bases, military hospitals, and
21 low-income housing to install geothermal heating and cooling
22 systems on premises. Additional allocation of geothermal
23 renewable energy credit volumes per block per structural
24 category may be defined at the discretion of the Agency.

25 (f) The Agency shall establish Program eligibility
26 requirements that ensure that systems that enter the Program

1 are sufficiently mature to indicate a demonstrable path to
2 completion. The Agency may periodically review its prior
3 decisions establishing the amount of geothermal renewable
4 energy credit volumes in each annual block and the purchase
5 price for each block and may propose, on an expedited basis,
6 changes to the previously set values, including, but not
7 limited to, redistributing the amounts and the available funds
8 as necessary and appropriate, subject to Commission approval.
9 The Agency may define different block sizes, purchase prices,
10 or other distinct terms and conditions for projects located in
11 different utility service territories if the Agency deems it
12 necessary.

13 (g) The Program shall be designed to ensure that
14 geothermal renewable energy credits are procured from projects
15 in diverse locations and are not concentrated in a few
16 regional areas.

17 Section 35. Program block pricing. The Program shall
18 provide a transparent annual schedule of geothermal renewable
19 energy credit prices and quantities to enable the geothermal
20 heating and cooling market to scale up and for geothermal
21 renewable energy credit prices to adjust at a predictable rate
22 over time. Geothermal renewable energy credit prices set by
23 the Agency for the Program shall be reflected as a set value or
24 the product of a formula.

1 Section 40. Approved vendors requirement.

2 (a) Property owners participating in the Program shall be
3 required to work with an approved vendor for Program
4 registration and application, geothermal renewable energy
5 credit generation, geothermal renewable energy credit
6 verification, geothermal renewable energy credit delivery, as
7 well as Program contract fulfillment and payment.

8 (b) The Agency shall establish a registration process for
9 entities seeking to qualify for Program-administered incentive
10 funding and establish baseline qualifications for vendor
11 approval. The Agency shall maintain a list of approved
12 entities on the Program's website, and may revoke a vendor's
13 ability to receive Program-administered incentive funding
14 status upon a determination that the vendor failed to comply
15 with contract terms, the law, or other Program requirements.

16 (c) The Agency shall establish Program requirements and
17 minimum contract terms to ensure projects are properly
18 installed and operate to the level of expected benefits.
19 Program requirements may include on-site inspections and photo
20 documentation of projects under construction. The Agency may
21 require repairs, alterations, or additions to remedy any
22 enforcement actions taken in response to those complaints.

23 Section 45. Contract terms; advanced capital; contract
24 length; transfer of geothermal heating and cooling system
25 ownership.

1 (a) The Agency shall propose a payment structure for
2 Program contracts upon a demonstration of qualification or
3 need and applicant firms shall have advanced capital disbursed
4 after the geothermal heating and cooling system is operational
5 but before geothermal renewable energy credits are first
6 generated. The amount or percentage of capital advanced shall
7 be at the discretion of the Agency but not be less than 40% of
8 the total contract.

9 (b) The amount or percentage of advanced capital may vary
10 by year, or inter-year, by structure category, block, and
11 other factors as deemed applicable by the Agency and by an
12 applicant's demonstration of need.

13 (c) Contracts featuring capital advanced prior to system
14 operation shall feature provisions to ensure both the
15 successful development of applicant projects and the delivery
16 of geothermal renewable energy credits for the full term of
17 the contract, including ongoing collateral requirements and
18 other provisions deemed necessary by the Agency. The
19 percentage or amount of capital advanced prior to system
20 operation shall not increase the overall contract value,
21 except that contracts executed under this Section may feature
22 geothermal renewable energy credits higher than those offered
23 to similar projects participating in other categories.

24 (d) The capital which is not advanced shall be disbursed
25 upon delivery of geothermal renewable energy credits as per
26 contract fulfillment over the delivery term, not to exceed,

1 during each delivery year, the contract price multiplied by
2 the estimated annual geothermal renewable energy credit
3 generation amount.

4 (e) For geothermal renewable energy credits that qualify
5 and are procured under the Program, geothermal renewable
6 energy credits delivery contract length shall be 25 years.

7 (f) If generation of geothermal renewable energy credits
8 during a delivery year exceeds the estimated annual generation
9 amount, the excess geothermal renewable energy credits shall
10 be carried forward to future delivery years and shall not
11 expire during the delivery term. If geothermal renewable
12 energy credit generation during a delivery year, including
13 carried forward excess geothermal renewable energy credits, if
14 any, is less than the estimated annual generation amount,
15 payments during such delivery year shall not exceed the
16 quantity generated plus the quantity carried forward
17 multiplied by the contract price. The electric utility shall
18 receive all geothermal renewable energy credits generated by
19 the project during the first 25 years of operation and retire
20 all geothermal renewable energy credits paid for under this
21 item and return at the end of the delivery term all geothermal
22 renewable energy credits that were not paid for.

23 (g) Geothermal renewable energy credits generated by the
24 project thereafter shall not be transferred under the
25 geothermal renewable energy credit delivery contract with the
26 counterparty electric utility. Subscription of 90% of total

1 geothermal renewable energy credit volumes or greater shall be
2 deemed to be fully subscribed.

3 Section 50. Contract terms; collateral and counterparties.

4 (a) Each contract shall include provisions to ensure the
5 delivery of the estimated quantity of geothermal renewable
6 energy credits, including the requirement of a bid security
7 deposit in an amount deemed appropriate by the Agency.

8 (b) An obligated utility shall be the counterparty to the
9 contracts executed under this Act that are approved by the
10 Commission. No contract shall be executed for an amount that
11 is less than one geothermal renewable energy credit per year.

12 (c) Nothing in this Act shall require the utility to
13 advance any payment or pay any amounts that exceed the actual
14 amount of revenues anticipated to be collected by the utility
15 inclusive of eligible funds collected in prior years and
16 alternative compliance payments for use by the utility.

17 (d) Contracts may be assignable, but only to entities
18 first deemed by the Agency to have met Program terms and
19 requirements applicable to direct Program participation. In
20 developing contracts for the delivery of geothermal renewable
21 energy credits, the Agency may establish fees applicable to
22 each contract assignment.

23 Section 55. Utility cost recovery. The electric utility
24 shall be entitled to recover all of its costs associated with

1 the procurement of geothermal renewable energy credits under
2 the Program. These costs shall include associated reasonable
3 expenses for implementing the procurement Programs, including,
4 but not limited to, the costs of administering and evaluating
5 the Program through an automatic adjustment clause tariff.

6 Section 60. Extenuating circumstances. If, at any time,
7 approved applications for the Program exceed funds collected
8 by the electric utility or would cause the Agency to exceed the
9 limitation on the amount of renewable energy resources that
10 may be procured, then the Agency may consider future
11 uncommitted funds to be reserved for these contracts on a
12 first-come, first-served basis.

13 Notwithstanding other requirements of this Act, no
14 modification shall be required to Program contracts if they
15 were already executed prior to the establishment, approval,
16 and implementation of new contract forms as a result of this
17 Act.

18 Section 65. Illinois Power Agency administration.

19 (a) The Agency shall strive to minimize administrative
20 expenses in the implementation of the Program. The Agency
21 shall be authorized to retain one or more experts or expert
22 consulting firms to develop, administer, implement, operate,
23 and evaluate the Program and the Agency shall retain the
24 consultant or consultants in the same manner, to the extent

1 practicable, as the Agency retains others to administer
2 provisions of this Act, including, but not limited to, the
3 procurement administrator.

4 (b) If the Agency becomes aware of a circumstance that
5 would warrant consideration of a mid-year renewable energy
6 credit price adjustment, it shall conduct modeling of
7 renewable energy credit pricing dynamics, in order to provide
8 notice to stakeholders, and conduct a stakeholder feedback
9 process before finalizing any changes. In line with the
10 Illinois Power Agency Act, Program modifications to any block
11 price that does not deviate from the Commission's approved
12 value by more than 10% shall take effect immediately and are
13 not subject to Commission review and approval. Program
14 modifications to any block price that deviate more than 10%
15 from the Commission's approved value shall be approved by the
16 Commission as a long-term plan amendment under Section
17 16-111.5 of the Public Utilities Act.

18 (c) In addition to covering the costs of Program
19 administration, the Agency, in conjunction with its Program
20 Administrator, may also use the proceeds of such fees charged
21 to participating firms to support public education, labor
22 training, and ongoing regional and national coordination with
23 nonprofit organizations, public bodies, and others engaged in
24 the implementation of geothermal heating and cooling system
25 incentive Programs or similar initiatives. This work may
26 include developing papers and reports, hosting regional and

1 national conferences, and other work deemed necessary by the
2 Agency to position the State as a national leader in renewable
3 energy incentive Program development and administration.

4 (d) The Agency and its consultant or consultants shall
5 monitor block activity, share Program activity with
6 stakeholders and conduct quarterly meetings to discuss Program
7 activity and market conditions. If necessary, the Agency may
8 make prospective administrative adjustments to Program design,
9 such as making adjustments to purchase prices as necessary to
10 achieve the goals of this Act. Program modifications to any
11 block price that do not deviate from the Commission's approved
12 value by more than 10% shall take effect immediately and are
13 not subject to Commission review and approval. Program
14 modifications to any block price that deviate more than 10%
15 from the Commission's approved value shall be approved by the
16 Commission as a long-term plan amendment. The Agency shall
17 consider stakeholder feedback when making adjustments to
18 Program design and shall notify stakeholders in advance of any
19 planned changes.

20 (e) The Agency shall schedule regular meetings with
21 representatives of the Attorney General, the Commission,
22 consumer protection groups, and other interested stakeholders
23 to share relevant information about consumer protection,
24 project compliance, and complaints received.

25 (f) To the extent that complaints received implicate the
26 jurisdiction of the Attorney General, the Commission, or

1 local, State, or federal law enforcement, the Agency shall
2 also refer complaints to those entities as appropriate.

3 Section 70. Prohibition of double claiming geothermal
4 renewable energy credits. Geothermal renewable energy credits
5 retired by obligated utilities for compliance with the Program
6 are only valid for compliance if those geothermal renewable
7 energy credits have not been previously retired by another
8 entity that is not the obligated utility on any tracking
9 system, carbon registry, or other accounting mechanism at any
10 time. Additionally, geothermal renewable energy credits
11 retired by obligated utilities for compliance with the Program
12 are only valid for compliance if those geothermal renewable
13 energy credits have not been used to substantiate a public
14 emissions or energy usage claim by any other another entity
15 that is not the obligated utility, of any type and at any time,
16 whether or not such geothermal renewable energy credits were
17 actually retired on a tracking system, registry, or other
18 accounting mechanism at the time of the public emissions-based
19 claim. To that end, geothermal renewable energy credits
20 generated for compliance with the Program are valid only if
21 retired once, and claimed once, by the obligated utility.

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.