

USDA



Rural
Development

Committed to the future of rural communities.

National Association of State Energy Officials

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USDA Rural Development



USDA'S 2008 Farm Bill

Commitment to Rural America

- Title IX Energy
 - 1 Billion in mandatory funding
 - Section 9003 Provides Biomass Loan Guarantees
 - Section 9004 Assists Conversion to Biomass Energy
 - Section 9005 Encourages Production of Advanced Biofuels
 - Section 9006 Continues Biodiesel Fuel Education Initiative



USDA'S 2008 Farm Bill

- Section 9007 Supports Rural RE and EE
- Section 9008 Expands Biomass Research and Development
- Section 9010 Promotes Sugar-Based Bioenergy Production
- Section 9011 Promotes Biomass Crop Production, Harvesting, Processing



Renewable Energy Energy Efficiency Program (RE/EE)



Rural Energy for America Program (REAP) Section 9007 formally known as the Renewable Energy Systems and Energy Efficiency Improvements Program

Rural Development – Business Programs
U.S. Department of Agriculture



Outline

- What is the REAP Program?
- Who is Eligible?
- What Projects are Eligible?
- Application
 - Technical Requirements
 - Environmental Requirements
 - Scoring Criteria
- Grant and Guaranteed Loan Limits
- Mandatory Funding 2009 to 2012



What is the Section 9006 Program?

- Created as a U.S. Department of Agriculture program
- Program designed to assist farmers, ranchers and rural small businesses with energy projects
- This program provides grants and guaranteed loans for renewable energy systems and energy efficiency improvement projects
- Created as a 5 year program.
- Congress has funded the program at approximately \$23 million per year for the first five years



Farm Bill Definitions

- Renewable Energy – energy derived from:
 - wind, solar, biomass, or geothermal source, ocean, hydro-electric or
 - hydrogen derived from biomass or water using one of the above energy sources
- Energy Efficiency Improvement - Improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot.

Who is Eligible?

- Rural small businesses and agricultural producers can apply
- The regulation includes the following definitions:*
 - Rural – Any area other than a city or town with population over 50,000. Cannot be in urbanized area adjacent to such a city or town. (Changes in the 2008 Farm Bill)
 - Agricultural Producer - An individual or entity directly engaged in the production of agricultural products (including farming or ranching) that gets 50% + of their gross income from the operations
 - Small Business - A private entity including a sole proprietorship, partnership, corporation, cooperative (including most Rural Electric Cooperatives), and certain other electric utilities.
 - Must meet SBA size standards for small business
www.sba.gov/size/indextableofsize.html
 - Non-profits excluded



Committed to the future of rural communities.

* Actual definitions available in the Regulation

Who is Eligible?

- Other requirements for eligible applicants:
 - Must demonstrate financial need to receive a grant. (Not required in the 2008 Farm Bill)
 - If individuals, must be U.S. citizens or legal permanent residents of the U.S.
 - If an entity, must be at least 51 percent owned by individuals who are either U.S. citizens or legal permanent residents of the U.S.

What Projects are Eligible?

- Any renewable energy and energy efficiency project as defined in the law.
- Requirements for eligible projects:
 - Must be located in a rural area.
 - Must be for a pre-commercial or commercially available and replicable technology.
 - Must be technically feasible.
 - Must have sufficient revenues to provide for operation and maintenance
- The applicant must be the owner of the project and control the operation and maintenance of the proposed project.

What Costs are NOT Eligible

- Residential improvements
- Energy efficiency improvements related to new construction
- Agricultural tillage equipment
- Vehicles

Application Requirements

- Must meet eligibility requirements for:
 - Applicant
 - Project
 - Replicability
 - Complete application
- To qualify for funding, the application will also have to pass:
 - Technical Review
 - National Environmental Policy Act (NEPA) Review



Rural Energy for America Program Section 9007

- **New Eligible Grant Purpose**

Cost share grants for feasibility studies

rural small businesses

agricultural producers

25% must be paid by ag producer/rural small business



Technical Requirements

- Different Technology Requirements for:
 - Biomass, Bioenergy
 - Anaerobic Digester
 - Geothermal, electric generation
 - Geothermal, direct use
 - Hydrogen
 - Solar, small (10 kW or smaller)
 - Solar, large (larger than 10 kW)
 - Wind, small (100 kW or smaller)
 - Wind, large (larger than 100 kW)
 - Energy Efficiency
 - Hydro-Electric

Technical Requirements

- Technical requirements are based on type and size of technology
- All requirements follow the same standard project development process:
 - Qualifications of project team
 - Agreements and permits
 - Resource assessment
 - Design and engineering
 - Project development schedule
 - Financial feasibility
 - Equipment procurement
 - Equipment installation
 - Operations and maintenance
 - Decommissioning
- For RE projects with total eligible project cost greater than \$400,000 and for EE projects with total eligible project cost greater than \$200,000 – the involvement of certified PE required

Environmental Requirements

- All projects receiving federal grants are subject to the provisions of the National Environmental Policy Act (NEPA).
- Depending on scope and complexity of project, can be lengthy...

How is the Regulation Divided?

- Program is divided into large and small projects
 - Large projects have same historic requirements
 - Technical Report (Appendix A vs. Appendix B)
 - Financial Reporting
 - Small Projects (<\$200k)
 - Reduced financial reporting
 - Reduced technical reporting requirements (worksheet)
 - Additional priority score points
 - Reimbursement basis



Evaluation Criteria

- Used to rank eligible projects to determine order of funding
- Points awarded for:
 - Quantity of energy produced or saved
 - Environmental benefits
 - Commercial availability
 - Technical merit
 - Financing readiness
 - Applicant size
 - New applicants

Grants - Limits

- Grants request must not exceed 25% of project costs
 - Minimum grant request: \$2,500 for RE, \$1,500 for EE
 - Renewable Energy:
 - Maximum grant request: \$500,000
 - If request is over \$50,000, regulation requires a project-specific feasibility study prepared by a qualified independent consultant
 - Energy Efficiency
 - Maximum grant request: \$250,000
 - If total project costs are over \$50,000, regulation requires an energy audit



Guaranteed Loans - Limits

- Guaranteed loans are limited to 50% (75%) of the eligible project cost
- Maximum guarantee is \$25 million
- Guaranteed Loan/Grant combination also limited to 75% of eligible project cost

Maximum Loan Guarantees

- 85% guarantee for loans \leq \$600,000
- 80% guarantee for loans \leq \$5MM
- 70% guarantee for loans \leq \$10MM
- 60% guarantee for loans \leq \$25MM

Rates and Terms

Interest Rates

- Negotiated between lender and borrower
- May be Fixed or variable

Maximum Loan Terms

- 7 years for Working Capital
- 20 years for Machinery & Equipment
- 30 years for Real Estate



Application Requirements

- Lender's commercial loan application and analysis
- Environmental Report
- Technical Report/Energy Audit
- Feasibility Study
- Loans \leq \$600,000 may utilize a simplified application

Rural Energy for America Program Section 9007

- New Component
 - Grants to complete energy audits and renewable energy development assistance
 - Eligible applicants
 - governmental
 - educational
 - electrical cooperative & public power entities
 - other similar organizations

Funding Activity FY 2003 thru 2007 Renewable Energy/Energy Efficiency

<u>Technology</u>	<u>No.</u>	<u>Amount</u>	<u>Leveraged</u>
Biomass	249	\$ 135,612,303	\$458,692,476
Wind	199	36,481,754	504,739,962
Solar	49	1,862,651	4,519,509
Geothermal	26	1,461,337	3,463,084
Hybrid	14	2,529,700	185,664,978
RE Subtotal	537	\$177,947,745	\$1,157,080,009
Energy Efficiency	875	\$20,703,966	\$48,343,062
Grand Total	1,412	\$198,651,711	\$1,205,423,071

Rural Energy for America Program Section 9007

- Funding – mandatory:
 - FY 09 - \$55 million
 - FY 10 - \$60 million
 - FY 11 - \$70 million
 - FY 12 - \$70 million
- Discretionary Funding: \$25 million each fiscal year for FY 09 - 12

Funding Activity FY 2003 thru 2007 Renewable Energy/Energy Efficiency

<u>Award Type</u>	<u>No.</u>	<u>Grant</u>	<u>Guar. Loan</u>	<u>Leveraged</u>	<u>Average Award</u>
Grant	1,115	\$95,153,871		\$985,265,349	\$85,340
Guar. Loan	9		\$70,820,000	\$176,184,000	\$7,868,889
Combination	144	\$11,967,985	\$20,709,855	\$ 43,973,722	\$226,929

Rural Energy for America Program Section 9007

- 2008 Awards
 - 639 individuals and businesses in 43 States and Virgin Islands.
 - \$35.0 million in Grants and Guaranteed Loans for RE or EE projects.
 - \$27.5 mil. Grant and \$7.4 mil. Guaranteed loan



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Business & Community Programs

Business Programs

Business & Industry - Guaranteed Loan (B&I)

Rural Economic Development Loan & Grant Program (REDLG)

Renewable Energy & Energy Efficiency Grant (RE/EE)

Rural Business Enterprise Grant (RBEG)

Value Added Producer Grant (VAPG)

Intermediary Relending Program (IRP)

Rural Business Opportunity Grant (RBOG)

Rural Cooperative Development Grant (RCDG)



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Rural Energy Coordinator List (Representative for each State)

