

Inflation Reduction Act
Section 22001
Powering Affordable Clean Energy (PACE)
Letter of Interest Guide

Rural Utilities Service
Electric Program

July 14, 2023

Executive Summary

In August 2022, President Joe Biden signed the Inflation Reduction Act (IRA) into law. IRA makes a historic commitment to build a new clean energy economy while helping to reduce energy costs for families and create thousands of good-paying jobs across rural America. IRA will deliver results through a combination of grants, loans, rebates, incentives, and other investments to support the President's economic plan. IRA represents the largest investment in rural electrification since the passage of the Rural Electrification Act in 1936.

The Rural Utilities Service (RUS), a Rural Development (RD) agency of the United States Department of Agriculture (USDA), will oversee and implement Sections 22001 and 22004 of the IRA by creating two new programs that establish new loan and grant products. These programs are intended to create unprecedented incentives to expand clean energy, transform rural power production, create jobs, and spur economic growth:

- **Powering Affordable Clean Energy (PACE) Program (Section 22001):** The \$1 billion PACE Program provides loans to eligible entities, with varying levels of loan forgiveness, to finance projects that generate electricity from renewable energy resources or store electricity in support of renewable energy resources. A Notice of Funding Opportunity (NOFO) for PACE was published in the Federal Register on May 16, 2023.
- **The Empowering Rural America (New ERA) Program (Section 22004):** The \$9.7 billion New ERA Program provides loan and/or grant funds to eligible entities to finance proposals to achieve the greatest reduction in greenhouse gas (GHG) emissions while advancing the long-term resiliency, reliability, and affordability of rural electric systems. A Notice of Funding Opportunity (NOFO) for the New ERA Program was published in the Federal Register on May 16, 2023.

This Guide describes the PACE Program requirements and provides Applicants with the guidance and instructions necessary to prepare and submit a Letter of Interest (LOI) via Grants.gov. RUS will expand this guide in the future to include additional details on the submission of Applications and the post-Application process requirements under PACE.

This Guide is specific only to the PACE Program and only provided as guidance. The NOFO is the formal guidance of the PACE Program and any information contained within the NOFO takes precedence over this Guide. All PACE requirements may be found in the Federal Register Notice at [2023-10388.pdf \(govinfo.gov\)](#).

A copy of this Guide and copies of supporting documents and information are available at <https://www.rd.usda.gov/programs-services/electric-programs/powering-affordable-clean-energy-pace-program>. If you require alternative means of communication for program information (*e.g.*, Braille, large print, audiotape) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD) or the 711 Relay Service.

Table of Contents

Contents

Executive Summary	2
Section I: Program Summary.....	6
A. Notice of Funding Opportunity (NOFO)	6
B. Introduction to the PACE Program.....	6
C. The Rural Utilities Service (RUS).....	7
D. Eligibility Requirements.....	7
E. Available Funding and Types of Loans.....	8
F. Key Dates and Timelines.....	9
G. How to Apply	10
H. Definitions and Acronyms	10
I. Additional Information and Resources.....	10
Section II: Program Requirements and Restrictions	11
A. Funding Restrictions	11
B. Eligibility Information	11
1. Eligible Applicants.....	12
2. Eligible Service Areas.....	12
3. Eligible Projects	14
4. Eligible Project Costs	15
C. Types of Loans	16
1. System Loans	16
2. Project Loans	17
D. Loan Forgiveness	18
E. Federal Requirements	20
1. Statutory and Regulatory Authority	20
2. Environmental and Historic Preservation Requirements.....	21
3. Build America, Buy America Requirements.....	21

4. Wage Rate Requirements.....	23
5. Additional Federal Requirements.....	23
Section III: The Letter of Interest (LOI).....	25
A. Submission through Grants.gov	25
B. Submission Dates and Times	25
C. Prerequisites to Submitting an LOI.....	25
D. Other Submission Requirements and Limitations.....	26
E. Information required in an LOI.....	27
F. Instructions and Specifications for Submitting Shapefiles	28
G. Criteria for Evaluating LOIs.....	29
H. Invitation to Proceed	29
Section IV: Submitting an LOI	30
A. PACE submission through Grants.gov	30
B. Instruction for LOI submission on Grants.gov	31
Appendices	33
Appendix A – Definitions	33
Appendix B – Acronyms.....	38

Please Note: *The formatting of this document does not take into consideration accessibility concerns if the document were to be printed and viewed in a hard copy format.*

Section I: Program Summary

A. Notice of Funding Opportunity (NOFO)

A Notice of Funding Opportunity (NOFO) for the Powering Affordable Clean Energy (PACE) Program [DOCKET#: RUS-23-ELECTRIC-0003] was published in the Federal Register ([2023-10388.pdf \(govinfo.gov\)](#)) on May 16, 2023, to provide funding for electric loans for renewable energy pursuant to Section 22001 of the Inflation Reduction Act (IRA). The NOFO specifies that the Rural Utilities Service (RUS), a Rural Development (RD) agency of the United States Department of Agriculture (USDA), is soliciting LOIs for loan Applications, announcing the Application process for those loans, and providing deadlines for Applications from eligible entities under the PACE Program.

B. Introduction to the PACE Program

RUS (or the Agency) will oversee and implement PACE under Section 22001 of the IRA. PACE provides loans to eligible entities, with varying levels of loan forgiveness, to finance Projects that generate electricity from a renewable energy resource (RER), including energy storage systems (ESS) that support an RER. Eligible entities include electric service providers such as municipal utilities, cooperatives, private-sector developers, and investor-owned or Tribal utilities.

Section 22001 of the IRA amends Section 9003 of the Farm Security and Rural Investment Act of 2002 by adding new subsection (h), which provides \$1 billion, to remain available until September 30, 2031, “for the cost of loans under Section 317 of the Rural Electrification Act (7 U.S.C. 940g).” Per Section 317 of the Rural Electrification Act of 1936, as amended (RE Act), loans may be made for electric generation from an RER for resale to rural and nonrural residents. An RER means an energy conversion system fueled from a solar, wind, hydropower, biomass, or geothermal source of energy. Also, the rate of a loan shall be equal to the average tax-exempt municipal bond rate of similar maturities.

Under PACE, up to 50 percent of an Applicant’s loan may be forgiven. The PACE Program allows an Applicant that satisfies certain criteria to receive a loan with up to 60 percent loan forgiveness.

PACE Applicants are encouraged to consider Projects that will advance the following Rural Development Key Priorities:

- Assisting rural communities to recover economically through more and better market opportunities and through improved infrastructure;

- Ensuring all rural residents have equitable access to Rural Development (RD) programs and benefits from RD funded Projects; and
- Reducing climate pollution and increasing resilience to the impacts of climate change through economic support to rural communities.

C. The Rural Utilities Service (RUS)

RUS is a Rural Development (RD) agency of the United States Department of Agriculture (USDA). RUS administers Federal programs that support the development and improvement of necessary infrastructure in rural areas. To further RD's mission of expanding economic opportunities and improving the quality of life for rural residents, RUS invests across a broad range of sectors. RUS investment areas include water and wastewater treatment, electric power, and telecommunications services.

The RUS Electric Program, which provides capital and leadership to maintain, upgrade, and modernize America's vast rural electric infrastructure, will implement the PACE Program. Under the authority of the RE Act, the Electric Program makes direct loans and loan guarantees, as well as grants, available to eligible Borrowers to finance the construction of new electric distribution, transmission, and generation facilities or to finance system improvements and replacements of existing electric facilities. The Electric Program also provides funding to support demand-side management, energy efficiency (EE) and conservation programs, and on-grid and off-grid renewable energy (RE) systems.

The RUS Electric Program is well known for providing financing to rural electric cooperatives. RUS Electric Program financing is and has long been made available to corporations, tribal utilities, states, territories, and subdivisions and agencies thereof, municipalities, utility districts and non-profit organizations that serve consumers in rural areas. In general, to be an eligible Borrower the entity must provide or propose to provide i) the electric service needs of rural areas, or ii) the power supply needs of distribution Borrowers under the terms of power supply arrangements satisfactory to RUS.

D. Eligibility Requirements

PACE Applicant(s) and the respective Project(s) for which funding is being requested under the PACE Program must meet eligibility requirements, including:

- **Eligible Applicants:** Eligible Applicants are identified in the NOFO and include, but are not limited to, electric service providers such as municipal utilities, cooperatives, private-sector developers, and investor-owned or Tribal utilities.
- **Eligible Service Areas:** Electricity generated or discharged from facilities shall be provided

to both “rural and nonrural residents” located in service areas determined to be eligible under PACE.

- **Eligible Projects:** The types of Projects eligible to be financed with PACE loan funds include Renewable Energy Resource (RER) systems that generate electricity or Energy Storage Systems (ESS) that support RER Projects.
- **Eligible Project Costs:** Reasonable Project costs that are capitalized may be eligible to be financed with PACE loan funds, but limitations on the amount of funds to be awarded will depend on the type of loan, the amount of loan funds requested, loan security, and other factors.

E. Available Funding and Types of Loans

Available Funds: PACE Program has \$1,000,000,000 in appropriated funds under the IRA.

Type of Awards: The type of awards to be provided under PACE are loans with varying levels of loan forgiveness. The levels of loan forgiveness will be based on the funding category of the Applicant’s service territory and the terms and conditions for loan forgiveness outlined in the NOFO.

Loan Forgiveness Categories: PACE includes three Categories (I, II and III) of funding that will determine the level of loan forgiveness an Applicant may receive. A loan meeting Category I requirements would receive the lowest level of forgiveness, while a loan that meets Category III requirements would receive the highest level of forgiveness.

Each Category, and the level of forgiveness, will depend on i) the location of the areas being served by the Project; ii) whether the population within the areas being served includes Energy, Distressed and/or Disadvantaged Communities; iii) whether the Project is serving Tribal or SUTA areas; and iv) whether the Project is owned by a Tribal government. The three Categories, including the terms and conditions for loan forgiveness, are outlined in the NOFO and are described in further detail in Section II of this Program Guide.

Award Amounts: The maximum loan amount, inclusive of the forgivable portion, of any individual Award is limited to \$100,000,000. The minimum amount of any individual award is \$1,000,000.

Loan Types: RUS will offer both Project Loans and System Loans to finance eligible PACE Projects. Project Loans and System Loans are also detailed in Section II of this Program Guide.

Municipal Rate Loans: Loans made under the PACE Program will bear interest equal to the

municipal rate as provided in Section 317(c) of the RE Act, and as further described in the first sentence of 7 CFR 1714.4(a) and 7 CFR 1714.5(a)-(c). Municipal rates can be found at <https://www.rd.usda.gov/page/rural-utilities-loan-interest-rates>. Note that because there is no interest rate cap for the PACE Program, the third sentence of 7 CFR 1714.4(a) and 7 CFR 1714.5(d) shall not apply. Interest rates are announced by the Agency on a periodic basis and will be set for a particular loan at the time funds are drawn. The published rates described above are the rates that a Borrower would pay if the Borrower had drawn funds on the day the rates were in effect. The actual rates an Applicant will pay when funds are drawn would likely be different than the rates offered today.

F. Key Dates and Timelines

Date IRA Signed into Law: August 16, 2022.

NOFO Publish Date: May 16, 2023.

Submittal of Letters of Interest: Letters of Interest (LOIs) can be submitted beginning at 11:59 a.m. Eastern Time (ET) on July 10, 2023, until 11:59 p.m. ET September 29, 2023. LOIs will be accepted and reviewed on a rolling basis.

Submittal of Application: An Applicant that is invited by RUS to proceed with the loan Application will have 60 days, or a time agreeable to the Agency, to complete and submit a loan Application beginning from the date the Invitation to Proceed is emailed to the PACE Applicant. If the deadline to submit the completed Application falls on Saturday, Sunday, and/or a Federal holiday, the Application is due the next business day. RUS reserves the right, in its sole discretion, to extend the deadline for the submittal of a full Application upon a written request of the Applicant if the Applicant demonstrates to the satisfaction of the Administrator that exceptional circumstances exist to warrant the extension.

Dates Funds Are Available: PACE funds will be made available no sooner than fiscal year 2023 and will only be available through September 30, 2031. Award agreements will contain a provision that requires the advance of all loan funds on or before September 30, 2031. All undisbursed funds as of close of business on September 30, 2031, will automatically be rescinded. Applicants are advised that the Agency will set a last day for advance in Award agreements well in advance of the statutory limit.

Anticipated Award Date: From September 2023 to December 2025.

Performance Period: Five (5) years from the date of environmental clearance, but no later than September 30, 2031.

Eligible Construction Start Date: Only those Projects where construction began after the effective date of the IRA (August 16, 2022) and that have received written environmental clearance from RUS will be eligible for funding under PACE.

RUS Environmental Approval: Projects must receive RUS environmental clearance prior to the start of construction to remain eligible to receive PACE loan funds or any RUS financing. A Project in the pre-construction planning stage before August 16, 2022, may be eligible for IRA financing provided construction has not commenced prior to completion of the environmental review.

G. How to Apply

Letters of Interest (LOI): Each Applicant must submit an LOI to RUS electronically through Grants.gov. A detailed description of the items that should be included in an LOI and the specific requirements and instructions for submitting the LOI through Grants.gov are provided in Sections III and IV of this Guide, as well as the NOFO. Applicants are required to read the requirements of Grants.gov before submitting an Application on that platform.

H. Definitions and Acronyms

Refer to the Appendices A and B.

I. Additional Information and Resources

Information and additional resources on IRA Funding for RD is located at the following website: <https://www.rd.usda.gov/inflation-reduction-act#fn>.

Additional information and resources regarding PACE including a copy of this PACE Program Guide are available at <https://www.rd.usda.gov/programs-services/electric-programs/powering-affordable-clean-energy-pace-program>.

If you require alternative means of communication for program information (e.g., Braille, large print, audiotape) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD) or the 711 Relay Service.

Access to previously posted questions and answers regarding both the PACE Program and the New ERA program can be found at: [IRA FAQs | Rural Development \(usda.gov\)](#)

Questions regarding the PACE Program can be emailed to: SM.RD.RUS.IRA.Questions@usda.gov.

Section II: Program Requirements and Restrictions

A. Funding Restrictions

The key PACE Program funding restrictions are listed below:

- (1) Entities that plan to submit or have submitted Applications under the Empowering Rural America (New ERA) Program may not apply *for the same* Project under PACE. Entities may submit one LOI per entity to PACE or New ERA as long as the Projects included within those submissions do not overlap. Failure to follow this limitation will cause the PACE Applicant to be disqualified from potential Awards.
- (2) Only Projects where construction began after August 16, 2022, the effective date of the IRA, will be eligible for funding under PACE. Projects must also receive RUS environmental clearance prior to the start of construction to remain eligible for any RUS financing which includes receiving any PACE loan funds.
- (3) Funding will not be provided for merchant power Projects or Projects or where a non-utility entity is generating power for its own use.
- (4) PACE funding will not be provided for the *purchase* of power from an RER or ESS. There are no Application or origination fees for loans under the PACE Program.
- (5) RUS will only finance Projects that utilize Commercially Available Technology as defined in the PACE NOFO.
- (6) PACE Applicants may request financing for interconnection and other costs associated with being able to deliver the electrical output of an RER and/or an ESS to the Off-Taker.
- (7) PACE Applicants may include costs specified in 7 CFR 1710.106, including interest during construction (IDC) pursuant to 7 CFR 1710.106(a)(4).
- (8) The maximum loan amount, inclusive of the forgivable portion, of any individual Award is limited to \$100,000,000. The minimum amount of any individual award is \$1,000,000.
- (9) PACE funds will be made available no sooner than fiscal year 2023 and, will only be available through September 30, 2031. Award agreements must contain a provision that requires the advance of all loan funds on or before September 30, 2031. All undisbursed funds as of close of business on September 30, 2031, will automatically be rescinded.

B. Eligibility Information

PACE Applicants and the Projects for which they are requesting funding must meet certain eligibility requirements. These include sufficient information to determine:

- Whether an Applicant is eligible to submit an LOI and Application under PACE;

- Whether the areas proposed to be served by the Projects financed under PACE are eligible; and
- The types of proposed Projects and whether proposed Project costs are allowed to be financed with PACE loan funds.

1. Eligible Applicants

RUS will accept LOIs and Applications from entities that are determined to be Eligible Applicants. Eligible Applicants include:

- (a) For-profit organizations;
- (b) State or local governments;
- (c) Indian tribes defined by the Federally Recognized Indian Tribe List Act of 1994 (Public Law 103-454; 108 Stat. 4791, 4792), including their wholly arms and instrumentalities;
- (d) Alaska Native Corporations, regional or village corporations as defined under or established pursuant to the Alaska Native Claims Settlement Act (Public Law 104-42; 85 State. 688);
- (e) Nonprofits;
- (f) Institutions of higher education; and
- (g) Community-based organizations, distribution electric cooperatives, and generation and transmission electric cooperatives.

LOIs and Applications otherwise eligible from any entity in the above categories will be evaluated for funding. Where applicable and possible, Applicants are encouraged to work with Distressed and Disadvantaged Communities, energy communities, Puerto Rico, United States Virgin Islands (USVI), Guam, American Samoa, or other U.S. territories or Compact of Free Association (COFA) states, tribal entities, and Rural Partners Network (RPN) communities.

2. Eligible Service Areas

PACE funds shall be used to finance an RER or an ESS where electricity generated or discharged is provided to “rural and nonrural residents” in Eligible Service Areas. Service areas are determined to be eligible based on those communities that receive and consume the electricity generated or discharged from a Project and not by the location of the Project.

Eligible Service Areas must meet the minimum rural percentage of at least 50 percent, unless waived by the Administrator based upon a showing that there exist social equity considerations, such as Substantially Underserved Trust Area (SUTA), significant

energy burdens, severe economic needs, or substantial added benefits to rural consumers. The service areas of a former RUS or REA Borrower may be considered 100 percent rural for the purposes of their Applications as described further below.

The Eligible Service Areas will need to be determined for each Project and, in those cases where there are multiple owners (*i.e.*, co-owners) of a Project, the Eligible Service Areas may need to be determined separately for each co-owner. A co-owner of a Project that is an Eligible Entity may in turn have more than one Off-Taker that receives the output from the Project. In such a case, the Service Areas of all the Off-Takers are combined to determine rural eligibility.

There may be cases where multiple Projects provide electrical power that is delivered to and consumed within the same Eligible Service Areas. If a Project does not provide service to an area that meets the minimum rural percentage of at least 50 percent, then the Applicant will not be eligible to receive PACE Program loan funds for the Project.

An Applicant will need to upload digital Shapefiles that reflect the applicable service areas associated with each Project and demonstrate that the service areas meet the minimum rural percentage of at least 50 percent.

The following are important definitions and steps used to determine Eligible Service Areas:

Rural area: A “rural area” for PACE means:

- (a) Any area other than a city, town, or unincorporated area that has a population of greater than 20,000 inhabitants, or
- (b) The service areas of current RUS Borrowers or a former RUS or Rural Electrification Act (REA) Borrowers for the purpose of that entity’s Application.

The service areas of a former RUS or REA Borrower would be considered rural only in those cases where 1) the PACE Applicant is a former Borrower and 2) the Project being financed with PACE loan funds is providing electricity to the service areas of the former Borrower.

Rural Determination: If the PACE Applicant is not a current RUS Borrower nor a former RUS or REA Borrower, a rural determination will be conducted by RUS to:

- (a) Identify the service territory where electricity from the facilities to be financed by PACE loan funds would be delivered and consumed; and

- (b) Further identify those areas within the service territory that are rural versus those areas that are not rural.

Rural Percentage: The rural determination will calculate the rural percentage of the service territory. The rural percentage will be calculated by choosing one of the following 2 methods that provides the best results:

- (a) The population located in the Rural Areas of a service territory versus the total population of the entire service territory; or
- (b) Meters served in the Rural Areas of a service territory versus meters served in the entire service territory - assuming the data and information to conduct this calculation is made available to RUS.

3. Eligible Projects

A Project that is eligible to be financed with PACE loan funds includes the construction of a new RER that generates electricity and/or the construction of a new ESS used to store electricity in support of an RER.

Each RER and ESS that is to be financed with PACE loan funds must be installed to provide electrical capacity and/or energy, as well as any ancillary services should they be included, for resale to rural and nonrural residents located in eligible service areas.

A Project must include “commercially available technology” in which all equipment, devices, Applications, or systems have a proven, reliable performance, and replicable operating history specific to the proposed Application. The equipment, device, Application, or system is based on established patented design or has been certified by an industry-recognized organization and subject to installation, operating, and maintenance procedures generally accepted by industry practices and standards. Service and replacement parts for the equipment, device, Application, or system must be readily available in the marketplace with established warranty applicable to parts, labor, and performance.

New facilities must be constructed after the effective date of the IRA (August 16, 2022) and be compliant with all other applicable requirements of the NOFO to remain eligible for financing with PACE loan funds.

A Project must have received RUS environmental clearance prior to the start of construction to remain eligible for financing under the PACE Program.

The following elements and associated reasonable costs may be included in a PACE LOI submission:

- New facilities that generate electricity from an RER, including facilities that store electricity that support such assets (ESS). RUS will not approve facilities that violate the terms of a PACE Applicant's existing wholesale power contract.
- New linear facilities, including microgrids and distributed renewable energy, and equipment that are necessary to operate the Project including, but not limited to, transmission or distribution facilities that are needed to export, transmit, and deliver power from the generating facility to the Off-Taker.
- The upgrading of existing linear facilities and equipment that are necessary to operate the Project including, but not limited to, transmission or distribution facilities that are needed to export, transmit, and deliver power from the generating facility to the Off-Taker(s).
- The Project may include one or more RERs and/or ESSs.
- Facilities may be co-located to operate interconnectedly or independently or constructed at separate sites.
- RERs and ESSs must be installed so that the RER can provide energy and any ancillary services for resale to rural and nonrural residents located in Eligible Service Areas.
- Applicants may request interconnection and other costs associated with being able to deliver the RER and/or the ESS to Off-Takers, including related microgrid investments. Successful Applicants may also recover a portion of their capitalizable pre-Application costs pursuant to 7 CFR part 1767 and this notice.

4. Eligible Project Costs

PACE loan funds shall be used to finance Eligible Projects listed above and where applicable the costs for such facilities described in 7 CFR 1710.106, including interest during construction (IDC) pursuant to 7 CFR 1710.106(a)(4). Costs must be reasonable, allocable, and necessary to the Project. All eligible costs shall be those that are capitalized and are recorded as an asset on the Applicant's balance sheet.

Capital costs may include, but not be limited to, land purchases, planning, design and engineering, feasibility studies, project management, equipment purchases and leases, materials and supplies, labor, construction contingencies, permitting, licensing and legal fees, insurance, startup and commissioning, taxes, and interest. Basically, any costs incurred during development and construction that are directly attributable to placing the Project into service should be capitalized. The Applicant must provide an estimated total cost of the Project along with a detailed description of and cost breakdown of the Project.

PACE loan funds may be used to pay off or replace an interim construction loan used to finance an Eligible Project that has cleared environmental review, but PACE loan funds cannot be used to refinance other outstanding debt. Also, PACE loan funds cannot be used to finance any operating or maintenance expenses nor any other costs that are expensed.

An Applicant may include in its loan Application the costs specified in 7 CFR 1710.106, including interest during construction (IDC) pursuant to 7 CFR 1710.106(a)(4).

Note that the PACE Program does not require Applicants to pay any fees to submit an LOI or an Application for a loan, nor to have RUS process a loan Application.

C. Types of Loans

RUS will offer both Project Loans and System Loans to finance a Project as described below.

1. System Loans

A System Loan is provided where the PACE Award is secured through a senior security interest in all assets of the PACE Applicant. System Loans are only available to currently operating electric utilities.

To receive a System Loan, the PACE Applicant will provide, if it has not already been provided, RUS with a perfected senior lien (or shared perfected senior lien on a Pari Pasu basis) on all its existing assets, both real and personal, including intangible personal property, as well as after-acquired property. At the Administrator's discretion, a PACE Applicant may be permitted to secure a System Loan through an indenture, if RUS is granted a perfected senior security interest in all its assets by the trustee.

A System Loan may be used to finance 100 percent of the Project costs included in an Application. At the discretion of the Administrator, System Loan funds can be released to finance Projects for costs incurred during construction of the facilities. This would be accomplished by the submittal to and approval by RUS of selected executed procurement and construction contracts where the total price of the contracts has been encumbered and then allowing the Applicant to drawdown the encumbered loan funds based on the cost incurred to date. However, loan forgiveness will not occur until the Project has been completed and RUS has confirmed that the Awardee has satisfied all other conditions specified in the Award. The Agency reserves the right to claw back funds advanced for Projects that do not meet their loan commitments.

2. Project Loans

A Project Loan is provided to Applicants that are not eligible for, or have decided not to pursue, a System Loan. Any PACE Applicant that is not a current operating utility would be required to receive PACE financing with a Project Loan only.

A Project Loan is used to finance an eligible Project where the PACE Award is secured through a senior security interest on the Project's assets and the revenues generated from the Project's assets, rather than by a security interest of all the assets of the PACE Applicant's electric utility system.

With a Project Loan, the Applicant would own and operate the RER and/or ESS that are financed with the PACE loan funds and ensure that the electrical output of these facilities is delivered to an Off-Taker(s) who has/have agreed to receive and purchase the power under an executed power purchase agreement (PPA). The facilities may interconnect to a transmission grid system, a distribution system, a micro-grid, or other system that that is used to ultimately deliver and distribute the power to rural and nonrural residents in Eligible Service Areas. The Awardee must collaterally assign the PPA to RUS as security, with the Off-Taker's consent.

A Project Loan will be used to finance a Project in the amount that does not exceed any one of the following:

- 75 percent of the total capitalized cost of the Project;
- The total capitalized cost of the Project minus both the Project's equity contribution & other sources of capital financing (*e.g.*, grant funds, loans for other lenders, etc.); or
- The loan amount requested by the Borrower.

Unless otherwise approved, a Project Loan requires that the Applicant provide a 25 percent minimum cash equity investment in the Project prior to the release of any PACE loan funds, and that the Applicant maintain an equity level at or above 25 percent throughout the life of the loan, unless otherwise agreed to by the agency. This must be reflected for the term of the loan in the Awardee's Long Range Financial Forecast (LRFF).

The Administrator may consider tax credits or direct payments in lieu of tax credits the Awardee receives under the Internal Revenue Code when calculating equity investment requirements for a PACE Applicant's proposed Project. If the Administrator allows a PACE Applicant to meet the financial equity requirement by utilizing applicable tax benefits, the Administrator may require additional credit support from the PACE Applicant pending the PACE Applicant's receipt of the tax benefit.

Further, the Agency may utilize its authority under Section 306F of the RE Act and finance up to 100 percent of the cost of Projects benefitting SUTA areas. Project Award funds will only be released after commercial operation of the Project is commenced and RUS has confirmed that the Awardee has satisfied all other conditions specified in the Award.

The Awardee will need to establish and fund at least two separate reserve accounts. These include: 1) an O&M Reserve Account in the amount equal to the operation & maintenance (O&M) expenses that the Borrower is expected to incur during one year of operation, and 2) a Debt Reserve Account in the amount equal to all principal and interest (P&I) that the Borrower would be required to pay for one year.

The Office of Loan Origination and Approval (OLOA) may require the establishment of other reserve accounts depending on the perceived risks of the Project. The Borrower would need to make the appropriate deposits into the reserve accounts before closing. RUS may allow a parent company guarantee to be used in lieu of or as a complement to establishing the reserve accounts. In addition to the reserve accounts, the Awardee may be required to establish a Sinking Fund to factor in the expected cost to replace major components during the term of the loan (*e.g.*, inverters, wind turbine blades, battery cells, etc.).

D. Loan Forgiveness

PACE provides loans to eligible entities, with varying levels of loan forgiveness, to finance Projects that generate electricity from an RER and/or store electricity in support of an RER. Once the level of loan forgiveness is determined it would be applied on a percentage basis to the total amount of loan funds that an Applicants receives. Loan forgiveness is available with either a System Loan or a Project Loan.

Paragraph (1) in Section 22001 of IRA specifies that a loan “shall be forgiven in an amount that is not greater than 50 percent of the loan based on how the Borrower and the Project meet the terms and conditions for loan forgiveness consistent with the purposes of that section established by the Secretary, except as provided in paragraph (3).” Paragraph (3) of Section 22001 stipulates that the “Secretary shall establish criteria for waiving the 50 percent limitation described in paragraph (1).”

Criteria acceptable to the Secretary has been established to determine the level of loan forgiveness to be provided by the PACE Program including the criteria to allow an Applicant to receive loan forgiveness up to 60 percent of the loan.

PACE includes 3 Categories (I, II and III) that determine the level of loan forgiveness an

Applicant may receive. A loan that meets Category I requirements would receive the lowest level of forgiveness, while a loan that meets Category III requirements would receive the highest level of forgiveness. The 3 categories and the level of loan forgiven to be provided under each category is described below.

- **Category I:** Allows an Applicant, as a minimum under the PACE Program, to receive up to 20 percent total loan forgiveness.
- **Category II:** Allows an Applicant to receive up to 40 percent total loan forgiveness if 50 percent or more of the population included in the proposed service area is located within the following areas:
 - (a) Energy Communities, or
 - (b) Distressed and Disadvantaged Communities.

An “Energy Community” is a community as defined by the Department of Treasury and the Internal Revenue Service at <https://www.irs.gov/pub/irs-drop/n-23-29.pdf> or through future governmental guidance.

A “Disadvantaged Community” is determined by the Agency by using the Council on Environmental Quality’s Climate and Economic Justice Screening Tool which identifies communities burdened by climate change and environmental injustice.

A “Distressed Community” is determined by the Agency by using the Economic Innovation Group’s Distressed Communities Index, which uses several socio-economic measures to identify communities with low economic well-being.

To determine if a Project is located in a Disadvantaged Community, a Distressed Community, or Energy Community, please use the following USDA look-up map: <https://ruraldevelopment.maps.arcgis.com/apps/webappviewer/index.html?id=4acf083be4c44bb7864d90f97de0c788>

The loan forgiveness provided under Category II takes into account the service areas associated with all the Projects or portion of Projects an Applicant would own and is seeking to finance with PACE loan funds; that is, the service areas that will receive and consume power from all the proposed Projects or portion of Projects owned by the Applicant will be combined to determine whether such service areas meet or exceed the 50 percent threshold with respect to Energy, Distressed, or Disadvantaged Communities discussed above. If this criterion is satisfied, the Applicant would be eligible to receive up to 40 percent total loan forgiveness for those Projects or portion of Projects it owns and is seeking to finance with PACE loan funds.

- **Category III:** Allows an Applicant to receive up to 60 percent total loan forgiveness if:
 - (a) The proposed service area is located in Puerto Rico, United States Virgin Islands (USVI), Guam, American Samoa, or other U.S. territories or Compact of Free Association (COFA) states; or
 - (b) The proposed service area consists of 60 percent or more of a Tribal area or serves an area that constitutes a SUTA; or
 - (c) The Project is owned by an Indian Tribe defined by the Federally Recognized Indian Tribe List Act of 1994 (Public Law 103-454; 108 Stat. 4791, 4792), including their wholly owned arms and instrumentalities, or an Alaska Native Corporation, including regional or village corporations, as defined under or established pursuant to the Alaska Native Claims Settlement Act (Public Law 104-42; 85 Stat. 688).

Similar to that determined under Category II, the loan forgiveness provided under Category III takes into account the service areas associated with all the Projects or portion of Projects an Applicant would own and is seeking to finance with PACE loan funds; that is, the service areas that will receive and consume power from all the proposed Projects or portion of Projects owned by the Applicant will be combined to determine whether: a) the service areas are in Puerto Rico, USVI, Guam, American Samoa or other U.S. territories or COFA states; or b) the service areas consist of 60 percent or more a Tribal area or an area that constitutes a SUTA. If either criterion is satisfied, the Applicant would be allowed to receive up to 60 percent total loan forgiveness.

However, if a Project is owned by an Applicant who is either an Indian Tribe or an Alaskan Native Corporation, then that Applicant would be allowed to receive up to 60 percent total loan forgiveness. Service areas would not be limited to Tribal lands; however, the total service area must still be at least 50% rural.

RUS will initially allocate a minimum of \$300 million of available PACE loan funds to each category. The Administrator shall have discretion to redistribute or modify the amount of loan funds allocated among the 3 Categories.

E. Federal Requirements

1. Statutory and Regulatory Authority

PACE is authorized under Section 22001 of the Inflation Reduction Act (IRA), Public Law 117-169. Other Federal statutes and regulations that may apply to the NOFO, include but are not limited to: Section 317 of the Rural Electrification Act of 1936; 7 U.S.C. 940g (RE Act); 7 U.S.C. 8103; 7 CFR parts 1700-1730, 1767, 1773, and 1787; and 7 CFR part 1970.

PACE is to be carried out by RUS pursuant to Section 22001 of the IRA. Section 22001

of the IRA amends Section 9003 of the Farm Security and Rural Investment Act of 2002 by adding new subsection (h). Section 22001 of the IRA provides RUS with \$1,000,000,000 in appropriated funds “for the cost of loans under Section 317 of the RE Act.” Additionally, Section 22001 of the IRA provides that PACE funds may be utilized to finance Projects that store electricity generated from eligible renewable energy sources listed under Section 317 of the RE Act. Loans will be forgiven up to 50 percent, or more under certain circumstances, provided the Awardee and the Project otherwise meet the term and conditions of the loan forgiveness.

Pursuant to Section 317(b) of the RE Act, loans shall be made for the purpose of constructing electric generation from renewable energy sources. Section 22001 of the IRA also provides that loan funds may be utilized for Projects that store electricity for such generation facilities. Further, Section 317(b) requires that the power generated from the eligible renewable energy source be for resale to rural and nonrural residents. Lastly, Section 317(c) requires that the rate of a loan shall be equal to the average tax-exempt municipal rate of similar maturities.

2. Environmental and Historic Preservation Requirements

Projects to be financed with PACE loan funds must meet the National Environmental Policy Act of 1969, as amended (NEPA) (42 U.S.C 4321, *et seq.*), Section 7 of the Endangered Species Act (16 U.S.C. 1531 *et seq.*), and Section 106 of the National Historic Preservation Act (NHPA)(54 U.S.C. 300101 *et seq.*), as well as their implementing regulations in 7 CFR part 1970, Environmental Policies and Procedures (including Farmland Protection Policy Act Implementation Policy), 50 CFR part 402, Interagency Cooperation, and 36 CFR part 800, Protection of Historic Properties.

3. Build America, Buy America Requirements

Awardees using Federal grant or loans to purchase materials, equipment, and supplies under PACE must meet the following domestic preference requirements:

(a) **Funding to Non-Federal Entities:** Awardees that are Non-Federal Entities shall be governed by the requirements of Section 70914 of the Build America, Buy America Act (BABAA) within the Infrastructure Investment and Jobs Act (IIJA), and its implementing regulations. The Act requires the following Buy America preference:

- (1) All iron and steel used in the Project are produced in the United States. This means all manufacturing processes, from the initial melting stage through the Application of coatings, occurred in the United States.

- (2) All manufactured products used in the Project are produced in the United States. This means the manufactured product was manufactured in the United States, and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation.
- (3) All construction materials (excludes cement and cementitious materials, aggregates such as stone, sand, or gravel, or aggregate binding agents or additives) are manufactured in the United States. This means that all manufacturing processes for the construction material occurred in the United States.

BABAA only applies to articles, materials, and supplies that are consumed in, incorporated into, or affixed to an infrastructure project. As such, it does not apply to tools, equipment, and supplies, such as temporary scaffolding, brought to the construction site and removed at or before the completion of the infrastructure project. Nor does BABAA apply to equipment and furnishings, such as movable chairs, desks, and portable computer equipment, that are used at or within the finished infrastructure project. Any requests for waiver of these requirements must be submitted pursuant to USDA's guidance available online at <https://www.usda.gov/ocfo/federal-financial-assistance-policy/USDABuyAmericaWaiver>. RD's website can be referenced for additional information on BABAA at <https://www.rd.usda.gov/build-america-buy-america>.

Funding to all other entities: All other Awardees shall be governed by 7 CFR part 1787, The "Buy American" Requirement (Part 1787). For-profit organizations that are not considered Non-Federal Entities would be required to comply with Part 1787 but would be exempt from BABAA.

Each RUS Borrower is responsible for ensuring compliance with the "Buy American" provision. This requires that applicable contracts be provided a Buy American Certificate (RUS Form 213, Rev. 2-04) that is completed to document compliance with the "Buy American" requirement.

A product that is considered "domestic" in accordance with Part 1787 would meet the "Buy American" requirement. A product is domestic if it meets the following criteria: 1) it is manufactured in the United States or in any eligible country, and 2) it contains components manufactured in the United States or in any eligible country consisting of more than 50 percent of the total cost of all components used in that product. The

second part of this definition is to ensure that materials used to complete the project are benefiting either the United States or an eligible country. If a product does not meet both requirements, the product is considered nondomestic.

The “Buy American” requirement may be waived under certain circumstances, allowing the Awardee to use Federal funds to purchase materials, equipment, and supplies that are considered nondomestic products (which includes any product other than a domestic product, or any product from an ineligible country). There are three defined paths for an Applicant to request a waiver: 1) the cost between the non-domestic product and domestic product is unreasonable, 2) the domestic products are not available, or 3) it is not in the public interest or impractical for the RUS Borrower to purchase a domestic product. All requests for waivers must be approved by RUS prior to the start of construction. Further details on the “Buy American” requirement can be found in [7 CFR Part 1787](#).

4. [Wage Rate Requirements](#)

As provided in 7 U.S.C. 8103(f) all Projects funded under PACE, as a condition of receiving a grant or loan under this Section, an eligible entity shall ensure that all laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed, in whole or in part, with the grant or loan, as the case may be, shall be paid wages at rates not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with 40 U.S.C. 31, Sections 3141 through 3144, 3146, and 3147.

5. [Additional Federal Requirements](#)

Other Federal requirements that Applicants may be required to adhere to are listed in the table below with a brief description. This is not a comprehensive list and is provided for informational purposes only.

- **Federal Funding Accountability and Transparency Act:** All Applicants, in accordance with 2 CFR part 25, must be registered in System for Award Management (SAM) and have a Unique Entity Identifier (UEI) number as stated in Section D.3 of the NOFO. Additional information on SAM and UEI is detailed in Section III of this Guide. All recipients of Federal financial assistance are required to report information about first-tier sub-awards and executive total compensation in accordance with 2 CFR part 170.
- **2 CFR part 200:** This regulation establishes the administrative requirements for the management of Federal grant programs, the principles for determining allowable

costs incurred by Awardees, and the auditing requirements to establish consistency in the audit of potential Awardee.

- **Parts to Title 7 of the CFR:** Except as provided in the PACE NOFO and in the executed loan agreements, all other generally applicable regulations contained in 7 CFR parts 1700-1730, 1767, 1773, and 1787, and 7 CFR part 1970 will apply to PACE loans, as well as relevant Bulletins published by the RUS Electric Program.
- **Disclosure of Foreign Entities:** Pursuant to the Defense Production Act of 1950 and the Foreign Investment Risk Review Modernization Act of 2018, RUS will require PACE Applicants to disclose any foreign person or foreign entity that has an ownership, management rights, or voting interest in the PACE Applicant or the Project.
- **Title VI of the Civil Rights Act of 1964:** Federal agencies are responsible for ensuring that Federal funding assistance does not contribute to programs that discriminate based on race, ethnicity, or national origin. If any recipient of Federal funding is found to have discriminated based on race, ethnicity, or national origin, the responsible Federal agency will take remedial action in accordance with Title VI of the Civil Rights Act.

Section III: The Letter of Interest (LOI)

A. Submission through Grants.gov

An Applicant will be required to prepare and submit a Letter of Interest (LOI) that will be evaluated by RUS to determine if the Applicant can proceed with an Application for a PACE loan. The components of an LOI must be submitted electronically through Grants.gov.

This section describes the essential elements included in an LOI, and the criteria that RUS will use to evaluate all LOIs. The process for preparing and submitting an LOI using Grants.gov is detailed in Section IV.

B. Submission Dates and Times

LOIs can be submitted using Grants.gov beginning at 11:59 a.m. Eastern Time (ET) on July 10, 2023. The online window to submit LOIs will remain open until 11:59 p.m. ET September 29, 2023.

RUS will consider only complete LOIs as they are received.

LOIs will be accepted on a rolling basis in the order they are received and evaluated as received on the criteria described in Section E.1(a) of the PACE NOFO.

RUS reserves the right to ask PACE Applicants for clarifying information on, or additional information related to, the LOI after it has been submitted on Grants.gov.

If an LOI submitter has been selected to proceed with the loan Application, they will receive an Invitation to Proceed instructing them to submit a completed loan Application within 60 days, or a time agreed to with the Agency.

C. Prerequisites to Submitting an LOI

It is vital that each Applicant understands and appropriately addresses the following items prior to submitting an LOI via Grants.gov:

- **Registered Account via Grants.gov:** You only need to register once in order to apply for Federal funding opportunities on Grants.gov. But if you are applying for the first time, this is a key step in the process. A training video that guides users through the registration process is available ([Intro to Grants.gov - How to Register with Grants.gov \(Updated\) - YouTube](#)).

- **Federal Tax Identification Number:** An Applicant must provide their Federal Tax Identification number as part of Standard Form 424 during the LOI submission.
- **System for Award Management and Unique Entity Identifier:**
 - (a) At the time of Application, each PACE Applicant must have an active registration in the System for Award Management (SAM) before submitting its Application in accordance with 2 CFR part 25. In order to register in SAM, entities will be required to obtain a Unique Entity Identifier (UEI). Instructions for obtaining the UEI are available at <https://sam.gov/content/entity-registration>.
 - (b) PACE Applicants must maintain an active SAM registration, with current, accurate and complete information, at all times during which it has an active Federal award or an Application under consideration by a Federal awarding agency.
 - (c) PACE Applicants must ensure they complete the Financial Assistance General Certifications and Representations in SAM.
 - (d) PACE Applicants must provide a valid UEI in their Application, unless determined exempt under 2 CFR 25.110.
 - (e) The Agency will not make an Award until the PACE Applicant has complied with all SAM requirements. If a PACE Applicant has not fully complied with the requirements by the time the Agency is ready to make an Award, the Agency may determine that the PACE Applicant is not qualified to receive a Federal Award and use that determination as a basis for making a Federal Award to another PACE Applicant.

D. Other Submission Requirements and Limitations

A potential Applicant should also be aware of other submission requirements and limitations such as those listed below.

- (1) An entity may only submit one LOI, which must be prepared and submitted using Grants.gov. A sample LOI and additional information is available at <https://www.rd.usda.gov/programs-services/electric-programs/powering-affordable-clean-energy-pace-program>.

Each LOI submitter may only submit one Application, upon receiving an RUS Invitation to Proceed, and each PACE Applicant may only receive one Award.

- (2) An Invitation to Proceed or RUS' approval of a PACE Application does not constitute

approval of any agreement or document outlined in the PACE NOFO, this Guide, or the applicable PACE loan agreement.

- (3) A PACE Applicant must, after submitting an LOI or loan Application, promptly notify RUS of any changes in its circumstances that materially affect the information contained in the LOI or loan Application.
- (4) Applicants (“Co-Applicants”) may submit a joint/consolidated LOI or a Joint Application for consideration (collectively the “Joint LOI” or “Joint Application”). If a joint LOI contains two or more proposed Projects, the Agency may evaluate each proposed Project separately as to whether to provide an Invitation to Proceed concerning each proposed Project. The Agency may also disaggregate its review of the technical and Financial Feasibility of the individual Projects contained in a joint LOI or a joint Application. Further, the Agency may require Co-Applicants to accept separate contractual and financial commitments relating to the Project or Projects contained in the Joint Application. Applicants can refer to the Joint Application process model for additional information. The model can be found at <https://www.rd.usda.gov/programs-services/electric-programs/powering-affordable-clean-energy-pace-program#to-apply>.

E. Information Required in an LOI

For the submission of an LOI package on Grants.gov, please complete the required fields in the SF 424 within Grants.gov **and attach all remaining LOI document as outlined below**. To attach the documents outlined below to the SF 424, please go to Section 15 of the SF 424, and click “Add Attachments.” For those LOIs with multiple Projects, a unique number or name should be used for attachments related to each project (*i.e.*, Project 1, Project 2, etc.).

An Applicant will need to submit the following LOI documents as attachments to the SF 424 in order for RUS to consider an LOI submission complete via Grants.gov:

- i. A pdf of the completed PACE “LOI for PACE submission.” The pdf can be found on the PACE website.
- ii. Shapefiles for each Project included in the LOI. Shapefiles must use the tool included in this Guide (Section ‘L’ below).
- iii. Supporting documents, including a copy of the LOI submitter’s balance sheet and income statements for the shorter of the last three years or the years the LOI submitter has been in operation. The LOI submitter must also provide the balance sheet and income statements for the last three years of any entity or entities providing equity or security for the loan, with an explanation of the legal relationship to the LOI submitter.

F. Instructions and Specifications for Submitting Shapefile(s)

Applicants should use the RUS geospatial mapping tool to draw the service areas associated with each PACE Project and then upload Shapefile(s) to Grants.gov as part of an LOI submission. Applicants should go to <https://ruraldevelopment.maps.arcgis.com/apps/webappviewer/index.html?id=0a91fdaecff34b9eb9a9f378085c41ba> and draw a separate Shapefile of the service area for each proposed Project to be included in a single PACE Application. The saved file(s) should be renamed to the Applicant's name and Project name (e.g., bobselectric_project 1.zip). **The Shapefile(s) should then be uploaded to Grants.gov as an attachment in Section 15 of the SF 424 during the filing process.**

Please note:

- 1) The five-day resubmission deadline no longer applies; and
- 2) For those who complied with the five-day rule and have supplemental data to submit, the Agency has a place to receive that data.

Any Applicant who experiences difficulties using the RUS geospatial mapping tool or has other questions related to Shapefile(s), please send an email to

RD.Innovation.Data@usda.gov. The gency will work with Applicants to submit through the RUS mapping tool; however, if the Applicant is still unable to utilize the tool, the Applicant may proceed with its LOI submission using its own comparably accurate Shapefile(s). However, Shapefiles that are not reasonably comparable may be rejected.

Comparably accurate Shapefiles must meet the following criteria:

- a. All map areas must be closed, non-overlapping polygons with a single, unique identifier for each Project.
- b. The Shapefile must have an assigned projection with an accompanying .prj file.
- c. The Shapefile must use an unprojected (geographic) WGS84 geographic coordinate system.
- d. The Shapefile must be submitted as a *.zip file. This can be done with WinZip or in Windows by selecting the files associated with a Shapefile, right clicking the files, then clicking Send to Compressed (zipped) folder.
- e. If submitting multiple Projects, each project service area should be zip filed separately. This *.zip file can contain multiple non overlapping polygons if associated with the same Project.

The Service Area Shapefile(s) must show the location of each Project and the eligible service area(s) associated with that Project.

Service Area Shapefile(s) will be used to help determine the rurality of the areas being served

by the proposed Project(s) financed with PACE loan funds and verify that such areas meet Eligible Service Area requirements provided under PACE. Service Area Shapefile(s) will also help determine the level of Loan Forgiveness that an Awardee may potentially receive. This would be accomplished by providing an assessment of the types of communities that may be included in the Eligible Service Areas of an Applicant. Refer to the Section II of this Guide for details on Loan Forgiveness levels.

The applicable service area must demonstrate that the Project will provide affordable, clean energy to rural residents as outlined in Section C.3(a) of the NOFO that published in the Federal Register on May 16, 2023 (88 FR 31232).

Link to Shapefile Drawing Application:

<https://ruraldevelopment.maps.arcgis.com/apps/webappviewer/index.html?id=0a91fdaecff34b9eb9a9f378085c41ba>

G. Criteria for Evaluating LOIs

As previously noted, RUS will process and evaluate complete LOIs on a rolling basis in the order they are received. In reviewing LOIs, RUS will assess the following:

- (1) *Applicant eligibility.* The Applicant's eligibility to participate in the PACE Program.
- (2) *Project eligibility.* The eligibility of the proposed Project and the technical feasibility of the proposed Project.
- (3) *Geographic Diversity.* The Administrator may consider geographic diversity in reviewing and evaluating LOIs.
- (4) *Financial status.* The financial status of the Applicant to determine their likelihood to successfully secure and repay the PACE loan.
- (5) *Allocation of Funds Among Categories.* The amount of funding available in a Category (I, II, or III whichever applies) due to a disproportionate number of LOIs in a Category may be reallocated at the discretion of the RUS Administrator.

H. Invitation to Proceed

Only those Applicants with LOIs selected to receive an Invitation to Proceed will be able to proceed with the PACE loan Application. The Invitation to Proceed is a written notification issued by RUS to the Applicant acknowledging that the LOI was received and reviewed, and that it is inviting the Applicant to submit an Application. The Invitation to Proceed will also contain instructions on how to submit a completed loan Application package. The Application must be materially complete in form and substance satisfactory to RUS within the specified

time. Note that the Invitation to Proceed may require that the Applicant to provide additional certifications, where they are applicable, which are not required or included as part of the LOI submittal process. The Invitation to Proceed may invite the Applicant to apply for funding on terms that are different from what the Applicant requested in its LOI.

In lieu of receiving an Invitation to Proceed, an Applicant may receive a letter requesting the submittal of additional information or documents to supplement or clarify information previously included in the LOI. Alternatively, an Applicant that is determined not to be eligible to receive a PACE loan may receive a notification that its LOI has been rejected.

An Applicant that is invited by RUS to proceed with the loan Application will have 60 days, or a time agreed to with the Agency, to complete and submit a loan Application beginning from the date the Invitation to Proceed is emailed to the PACE Applicant. If the deadline to submit the Application falls on Saturday, Sunday, or a Federal holiday, the Application is due the next business day. The Administrator may grant an extension of time to complete the documentation required for an Application if, in the Administrator's sole judgment, extraordinary circumstances prevented the PACE Applicant from completing the Application within the timeframe herein stipulated. In extending an Invitation to Proceed to an LOI submitter in the queue, RUS reserves the right to meet overall RUS program objectives and, therefore, may notify the PACE Applicant that the amount of financing to be Awarded is for a reduced scope or below the level sought by the PACE Applicant. RUS intends to provide further instructions for completing an Application in a future update to this Guide.

Section IV: Submitting an LOI

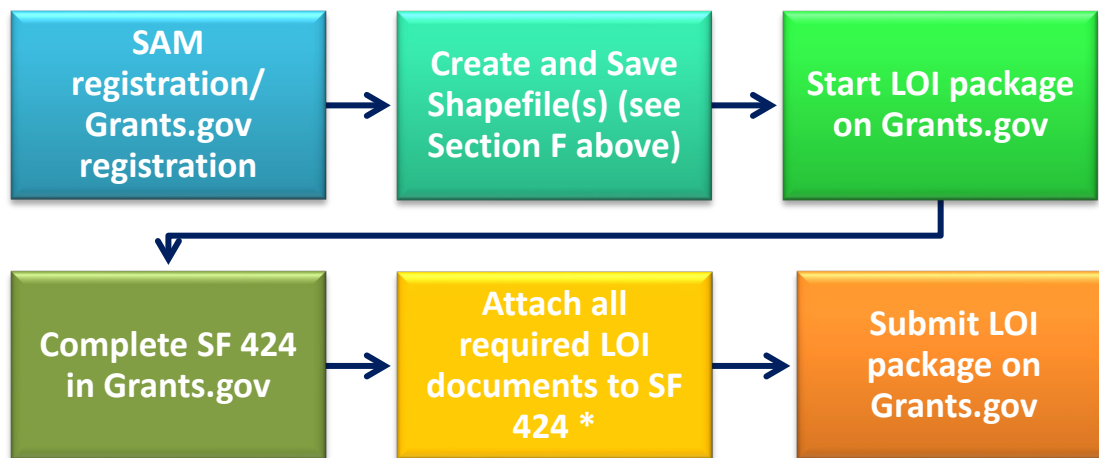
A. PACE Submission through Grants.gov

RUS will accept electronic submission of LOIs through Grants.gov. RUS will not accept paper, facsimile, or email transmission. Applicants are required to read the requirements of Grants.gov for submitting an Application on that platform.

A PACE LOI submission via Grants.gov shall include the Applicant including the information outlined below as well as:

1. Uploading a pdf of the LOI;
2. Uploading the Shapefile for each Project included in the LOI; and
3. Uploading supporting documents, including a copy of the LOI submitter's balance sheet and income statements for the shorter of the last three years or the years the LOI submitter has been in operation. The LOI submitter must also provide the balance sheet and income statements for the last three years of any entity or entities providing equity or security for the loan, with an explanation of the legal relationship to the LOI submitter.

B. Instruction for LOI Submission on Grants.gov



SAM.gov

The System for Award Management (SAM.gov) is a government-wide registry for organizations doing business with the Federal government. SAM.gov centralizes information about grant recipients and provides a central location for grant recipients to change organizational information. Grants.gov uses SAM.gov to establish organizational authority for its users and to provide unique entity identification numbers. SAM registration must be renewed annually.

First, you must register with SAM.gov to obtain a Unique Entity Identifier (UEI). The UEI is a 12-character alphanumeric identifier assigned to all entities (public and private companies, individuals, institutions, or organizations) to do business with the Federal government. Organizations will also need to designate an E-Business Point of Contact (EBiz POC). It can take 7-10 business days to fully complete the registration process required for most funding opportunities. There is no fee for registering with SAM.gov.

Grants.gov

After obtaining the UEI from SAM.gov, please go to Grants.gov to register. There is no fee for registering with Grants.gov.

- Applicants should reference the Grants.gov Online help at [Grants.gov Online Help](#) for assistance with registration.
- Read the Help article, [Manage Roles for Applicant](#) for instructions on managing roles.
- Visit [Learn Grants](#) to find information about every phase of the grant management process, from applying and reporting to the award closeout.

The most up-to-date instructions for Application submission via Grants.gov can be found at <https://www.grants.gov/web/grants/applicants/apply-for-grants.html>.

To begin, complete, and submit your Application:

- Navigate to <https://www.grants.gov/web/grants/applicants/apply-for-grants.html>;
- Click “Search for Opportunity Package”;
- In the “**Funding Opportunity Number**” field, enter “**RUS-PACE-2023**”;
- Click “Search”;
- Click “Apply”;
- Enter your email address (if you would like to receive updates from Grants.gov regarding this grant opportunity) or check the box that indicates you do not wish to provide it, then click “Submit”;
- Choose to apply using Workspace by clicking “Login to Apply Now”; and
- Follow the instructions provided on the Grants.gov website and on each webpage to complete and submit your LOI.

For the submission of an LOI on Grants.gov, **please complete the required fields in the SF 424 and attach all remaining LOI requirements.** *To attach the remaining documents to the SF 424, please go to Section 15 of the SF 424 and click “Add Attachments.” All LOI requirements detailed in Section E of this Guide must be provided, including but not limited to, a pdf of the “LOI for Submission,” Shapefile(s), and financial documents.

Joint LOIs (multiple entities) on Grants.gov

For the submission of a joint LOI, the Applicants must determine a lead Applicant. The lead Applicant will be responsible for the submission of the LOI on Grants.gov. The lead Applicant will submit the SF 424. Co-Applicants’ information must be detailed in the attached supporting documentation.

Grants.gov Support

Grants.gov support resources are available to help you successfully find and apply for grants. Grants.gov [Applicant Support](#) is available 24/7 ([except Federal holidays](#)). Be sure to include [supporting details](#) when you call or email. Additional information on the Grants.gov Support Center, including Frequently Asked Questions, can be found on the following website: [Support | GRANTS.GOV](#)

Appendices

Appendix A – Definitions

The following table defines relevant terms employed throughout the PACE Program Guide.

Term	Definition
Administrator	The Administrator of the RUS, an agency under the RD mission area of the USDA.
Agency	The Administrator of the RUS, an agency under the RD mission area of the USDA.
Application	An Application containing all information required by RUS as identified in the Invitation to Proceed. The Application is materially complete in form and substance satisfactory to RUS within the specified time.
Award	The financial assistance offered to a PACE Applicant.
Awardee	An entity that has been awarded a PACE Award.
Co-Applicant	An entity participating with one or more entities in a Consolidated LOI.
Commercially Available Technology	Equipment, devices, Applications, or systems that have a proven, reliable performance, and replicable operating history specific to the proposed Application. The equipment, device, Application, or system is based on established patented design or has been certified by an industry-recognized organization and subject to installation, operating, and maintenance procedures generally accepted by industry practices and standards. Service and replacement parts for the equipment, device, Application, or system must be readily available in the marketplace with established warranty applicable to parts, labor, and performance.
Commitment Letter	The notification issued by the Administrator to a PACE Applicant containing the total Award amount, the acceptable security arrangement, the proposed level of loan forgiveness, and such controls and conditions on the PACE Awardee’s financial, investment, operational and managerial activities deemed necessary by the Administrator to adequately secure the Government’s interest. This notification will also describe the accounting standards and audit requirements applicable to the Award.
Community Benefit Plan.	The PACE Applicant’s explanation as to how the Project will benefit the residents of the service area identified in the Application.
Consolidated Letter of Interest (LOI)	A joint letter of interest submitted by multiple entities.

Term	Definition
Current Ratio	The current assets divided by the current liabilities.
Debt Service Coverage Ratio (DSCR)	(Total Net Income or Margins + Interest Expense – Allowance for Funds Used during Construction + Depreciation + Amortization) divided by (Interest on Funded Debt + Other Interest + Principal Payment on Debt and Capital Leases)
Distressed and Disadvantaged Communities	A Disadvantaged Community is determined by the Agency by using the Council on Environmental Quality’s Climate and Economic Justice Screening Tool (which is incorporated into the USDA look-up map) which identifies communities burdened by climate change and environmental injustice. A Distressed Community is determined by the Agency by using the Economic Innovation Group’s Distressed Communities Index (which is incorporated into the USDA look-up map), which uses several socio-economic measures to identify communities with low economic well-being. To determine if your Project is located in a Disadvantaged Community or a Distressed Community, please use the following USDA look-up map: https://ruraldevelopment.maps.arcgis.com/apps/webappviewer/index.html?id=4acf083be4c44bb7864d90f97de0c788 .
Eligible Service Area	The area where electricity from the facilities to be financed by the proposed award will be delivered and consumed.
Empowering Rural America (New ERA) Program	The New ERA Program is a \$9.7 billion loan and grant program created under the Inflation Reduction Act (IRA). It is a separate program from PACE.
Energy Community	A community as defined by the Department of Treasury and the Internal Revenue Service at https://www.irs.gov/pub/irs-drop/n-23-29.pdf or through future governmental guidance.
Energy Storage System (ESS)	A facility capable of accepting energy, storing the energy for a period of time, and then later releasing the stored energy in support of a Renewable Energy Resource (RER).
Environmental Attributes	All financial attributes that are created or otherwise arise from the Project’s generation of electricity from a renewable or zero emission energy system that include, but are not limited to, any environmental air quality credits, green credits, renewable energy credits (RECs), carbon credits, emissions reduction credits, emission rate credits, certificates, tags, offsets, allowances, etc.
Environmental and Historic Preservation Requirements	The National Environmental Policy Act of 1969, as amended (NEPA) (42 U.S.C. 4321, et seq), Section 7 of the Endangered Species Act (16 U.S.C. 1531 et seq.), and Section 106 of the National Historic Preservation Act (NHPA)(54 U.S.C. 300101 et seq.), as well as their implementing regulations at 7 CFR part 1970, Environmental Policies and Procedures,(including Farmland Protection Policy Act Implementation Policy), 50 CFR part 402, Interagency Cooperation, and 36 CFR part 800, Protection of Historic Properties.
Financial Feasibility	An eligible entity’s ability as determined by the Administrator to generate sufficient revenues to cover its expenses, sufficient cash flow to service its debts and obligations as they come due, and meet the financial ratios set forth in the applicable loan documents.

Term	Definition
Generally Accepted Accounting Principles (GAAP)	Accounting principles generally accepted in the United States of America.
Indian Tribe	The term “Indian Tribe” has the meaning given the term in 25 U.S.C 5304.
Invitation to Proceed	A written notification issued by RUS to the applicant acknowledging that the Letter of Interest (LOI) was received and reviewed and inviting the applicant to submit an Application. The notification also provides the applicant instructions on how to submit the loan Application package and details of the next steps in the Application process.
Joint Ownership Letter of Interest (LOI)	A joint letter of interest submitted by multiple entities.
Letter of Interest (LOI)	An electronically signed submission made through the RUS window completed by an eligible entity notifying RUS of its intent to apply for a loan and addressing all the elements identified in Section D.2(a) of the PACE NOFO.
LOI Submitter	The eligible applicant(s) that submit the LOI requirements on Grants.gov.
Loan Forgiveness	The amount of loan funds eligible for forgiveness per the NOFO.
Non-Federal Entities	As defined in 2 CFR 200.1, Non-Federal Entities are States, local governments, Indian Tribes, institutions of higher education (IHE), or nonprofit organizations. The definition of what constitutes a non-profit is also located in 2 CFR 200.1.
Off-Taker	Shall mean: (1) the customers or members of the PACE applicant that purchase and receive the electrical power and energy from the PACE applicant; or (2) the entity that has or will execute a Power Purchase Agreement (PPA) with the PACE applicant to purchase and receive electrical capacity and associated energy produced by the Project. The Off-Taker may also be referred to in the PPA as the “Buyer,” “Customer,” “Purchaser,” or another name that describes the entity purchasing the power.
Power Purchase Agreement (PPA)	A binding agreement executed between the PACE applicant and an Off-Taker under which the Off-Taker agrees to purchase and receive from the PACE applicant the electrical capacity and associated energy produced by the project at a pre-determined price and term. The PPA may include other transactions such as the selling and purchasing of environmental attributes or ancillary services (e.g., voltage regulation and synchronization, contingency reserves).
Powering Affordable Clean Energy (PACE)	The PACE Program is a \$1 billion loan program created under the Inflation Reduction Act (IRA). It is a separate program from New ERA.

Term	Definition
Powering Affordable Clean Energy (PACE) Applicant	An eligible entity that has submitted an Application pursuant to an Invitation to Proceed.
Project	New facilities constructed after the effective date of the IRA and compliant with all other applicable requirements of the PACE NOFO used to generate electricity from an RER, and/or to store electricity that support the types of RERs that are eligible to be financed with PACE Program loan funds, as provided in Section 22001 of the IRA and Section 317 of the RE Act, which will result in the deployment of renewable energy generation or storage capacity.
Project Loans	A PACE Award secured by a security interest in the assets and revenues of the project and supporting credit enhancements relating to the project rather than by a security interest in all of the assets of the PACE applicant’s electric utility system. Any PACE Award to a PACE applicant that is not a current operating utility shall be a Project Loan
RE Act	The Rural Electrification Act of 1936.
Renewable Energy Resource or Renewable Energy Source (RER)	An energy conversion system fueled from a solar, wind, hydropower, biomass, or geothermal source of energy as defined in Section 317(a) of the RE Act.
Rural Area	A rural area shall mean: (a) Any area other than a city, town, or unincorporated area that has a population of greater than 20,000 inhabitants; or (b) Service areas of current RUS Borrowers or former RUS and Rural Electrification Act (REA) Borrowers which will be deemed rural for the purposes of their Applications.
Rural Partners Network (RPN)	The RPN is an alliance of Federal agencies and commissions working directly with rural communities to expand rural prosperity through job creation, infrastructure development, and community improvement.
RUS Accounting Requirements	The requirements include compliance with GAAP, acceptable to RUS, the system of accounting prescribed by RUS Bulletin 1770B-1, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, found at 2 CFR part 200. For all awardees, the term “grant recipient” in 2 CFR 200 shall also be read to encompass “loan recipient” and “loan-grant recipient,” such that 2 CFR 200 shall be applicable to all Awardees.
RUS Borrower	A current RUS Borrower under the RE Act.
Secretary	The Secretary of the United States Department of Agriculture.

Term	Definition
Substantially Underserved Trust Area (SUTA)	An area defined under Section 306F of the RE Act.
System Loans	PACE awards secured through a senior security interest in all assets of the PACE applicant, which must be a currently operating electric utility.
Times Interest Earned Ratio (TIER)	(Total Net Income or Margins + Total Interest Expense – Allowance for Funds Used during Construction) divided by (Total Interest Expense – Allowance for Funds Used during Construction).
Tribal Government	An Indian or Alaska Native Tribe, band, nation, pueblo, village, or community that the Secretary of the Interior acknowledges to exist as an Indian Tribe pursuant to the Federally Recognized Indian Tribe List Act of 1994, 25 U.S.C.
Tribal Land	Tribal Land means any area identified by the United States Department of Interior as Tribal land over which a Tribal Government exercises jurisdiction. A GIS layer of most Tribal Lands can be found on the RUS mapping tool located at https://www.usda.gov/reconnect

Appendix B – Acronyms

The table below defines acronyms that are commonly used throughout this handbook.

Acronym	Definition
AA	Assistant Administrator
AIANNHA	American Indian, Alaska Native, and Native Hawaiian Area
ARPU	Average Revenue per User
APA	Administrative Procedure Act of 1946
ARR	Authorized Representative Request
BABAA	Build America, Buy America Act
CAF II	Connect America Fund Phase II Auction
CAGE	Commercial and Government Entity
CALEA	Communications Assistance for Law Enforcement Act
COFA	Compact of Free Association
CFR	Code of Federal Regulations
CPA	Certified Public Accountant
CPCN	Certificate of Public Convenience and Necessity
CPE	Customer Premises Equipment
DAA	Deputy Assistant Administrator
DSCR	Debt Service Coverage Ratio
DUNS	Data Universal Number System
EA	Environmental Assessment
EB	Engineering Branch
EEO	Equal Employment Opportunity
EIS	Environmental Impact Statement
ESS	Energy Storage System
EQ	Environmental Questionnaire
EP	Electric Program
E&PCS	Engineering & Power Cost Study
ESA	Endangered Species Act of 1973
FAR-4	Frontier and Remote Area (FAR) Level 4
FCC	Federal Communications Commission
FFB	Federal Financing Bank
FOA	Funding Opportunity Announcement
FONSI	Finding of No Significant Impact
FOB	Financial Operations Branch
FPPA	Farmland Protection Policy Act
GAAP	Generally Accepted Accounting Principles
GFR	General Field Representative

Acronym	Definition
IJA	Infrastructure Investment and Jobs Act
ILOC	Irrevocable Letter of Credit
IRA	Inflation Reduction Act
IRU	Indefeasible Right of Use
LLC	Limited Liability Company
LLP	Limited Liability Partnership
LOI	Letters of Interest
kW	Kilowatt
kWh	Kilowatt-hour
MAP	Management Analysis Profile
MB	Megabyte
Mbps	Megabits per second
MHI	Median Household Income
MW	Megawatts
MWh	Megawatt-hours
NEPA	National Environmental Policy of 1969
New ERA	Empowering Rural America Program
NFSA	Non-Funded Service Area

NHPA	National Historic Preservation Act
NOFO	Notice of Funding Opportunity
NPV	Net Present Value
OLOA	Office of Loan Origination and Approval
O&M	Operations and Maintenance
OMB	Office of Management and Budget
PACE	Powering Affordable Clean Energy
PE	Professional Engineer
PFSA	Proposed Funded Service Area
PNF	Public Notice Filing
PPA	Power Purchase Agreement
PPE	Plant, Property, and Equipment
PUC	Public Utilities Commission
RD	Rural Development
REA	Rural Electrification Act
RER	Renewable Energy Resource
RUS	Rural Utilities Service
SAIPE	Small Area Income and Poverty Estimates
SAM	System for Awards Management
SHPO	State Historic Preservation Officer
SUTA	Substantially Underserved Trust Area

Acronym	Definition
THPO	Tribal Historic Preservation Officer
TIER	Times Interest Earned Ratio
UCC	Uniform Commercial Code
UEI	Unique Entity Identifier
UFAS	Uniform Federal Accessibility Standards
UPLF	Unadvanced Prior Loan Funds
USC	United States Code
USDA	United States Department of Agriculture
USFWS	United States Fish and Wildlife Service
USVI	United States Virgin Islands