

4280-B Energy Program QUESTIONS AND ANSWERS

Regarding energy efficiency projects - Please note: The original intent of the Section 9006 energy program was to make an **existing** building or facility more energy efficient. Energy efficiency improvements identified in an energy assessment or energy audit are eligible for financing. The energy assessment or energy audit also provides the answers for a portion of the scoring criteria.

Regarding energy efficiency projects - The 4280-B final regulation also provides for **construction of a replacement** building or facility as long as they are for the same purpose, the same size, and are more energy efficient than the previous building. The energy assessment or energy audit provides the justification for the new, more energy efficient building and provides the answers for a portion of the scoring criteria.

If your energy efficiency project is for the **replacement of equipment**, there are no size constraints – but the equipment must be for the same purpose and be more energy efficient than the previous equipment.

	Renewable Energy	Energy Efficiency
1. Construction of a new facility including purchasing an RE or EE system.	Yes	No
2. Construction of a new replacement facility including purchasing an RE or EE system.	Yes	Yes, if the facility is the same size, used for same purpose, provides more energy savings than improving an existing facility.
3. Purchase of a renewable energy system (for ex: a geothermal floor heating system) - to be placed in a newly constructed facility or purchase of an energy efficiency system (a non-renewable energy floor heating system) - to be placed in a newly constructed facility.	Yes	No
4. Purchase of a renewable energy system (for ex: a geothermal floor heating system) - to be placed in a new replacement facility or purchase of an energy efficiency system (a non-renewable energy floor heating system) - to be placed in a new replacement facility.	Yes	Yes, same size, used for same purpose, provides more energy savings than improving an existing facility.
5. Where is the gross market value of ag products in the preceding year found? Where is the gross annual receipts found for a rural small business? (The definition of annual gross receipts for a rural small business is gross income + cost of goods sold.)	<p>IRS tax forms should be submitted to provide the gross market value of ag products for an agricultural producer or the gross annual receipts for a rural small business.</p> <p>IRS form 1120 – for a corporation – line 1a IRS form 1120S – for an “S” corporation – line 1a IRS form 1065 – for a partnership – line 1a Schedule C – for a business – line 1 Schedule F- for a farming operation – lines 3 & 4</p>	

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<p>6. The NOFA discusses post-application expenses are eligible. Can an applicant apply today and start the project tomorrow?</p>	<p>Yes – with a caveat. If they already incurred expenses prior to award they may not be able to demonstrate financial need, they are taking a risk of not being selected for funding, and we may not be able to complete the environmental assessment. <u>Our advice is that the environmental assessment has to be done, the FONSI published, and any comment period has to have expired prior to any construction being started, or before breaking ground.</u></p>	
<p>9. A person rents out his turkey buildings. He owns and maintains the buildings. Does that qualify as controlling the operation and maintenance of the proposed project?</p>	<p>Yes, as long as he/she owns and maintains the property.</p>	<p>Yes, as long as he/she owns and maintains the property.</p>
<p>10. The landlord of a farm wants to make RE/EE improvements on the buildings on the farm he is renting out. Is he eligible?</p> <p>11. The landlord of a building (not multi-family or single family residential housing) leases out the building to a business, but wants to make RE/EE improvements to it. Is he eligible?</p>	<p>Unless the landlord is directly engaged in the production of ag products and 50% or greater of their gross income is derived from the operations – he cannot apply as an eligible ag producer.</p> <p>If the landlord wants to apply as a rural small business – they’d be eligible, as long as it is not for residential uses.</p> <p>Yes, if they qualify as a rural small business.</p>	

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12. Can Solar drying be included as an eligible purpose to be financed?	Yes, solar drying is a recognized application and a good opportunity for 9006.	This would be considered an RE project, not EE.
13. An LLC intends to file an application for an energy project. Financial information will be sent in as required on the LLC. Does financial information have to be submitted also on the partners/owners?	<p>No</p> <p>Only financial information on the LLC is required for a grant application.</p> <p>However, for a guaranteed loan application, personal financial statements would be required from all owners/members of the LLC who would be guarantors.</p>	
14. A cooperative wants to replace outdated and inefficient grain dryers. What size standards would they be subject to – to qualify as a small business?		<p>Each small business should check the NAICS codes at the SBA small business size standards website. www.sba.gov/size/index.html On the left hand side of the page, choose the “NAICS search” option or “Table of Size Standards”. Find the NAICS code industry description which best describes the small business you own – then look at the size standards you must not exceed.</p> <p>Two codes we found which might work are: 424510 Grain and Field Bean Wholesaler – size limitation is less than 100 employees, or 493130 Farm Product Warehousing & Storage – size limitation is less than \$21.5 million in gross annual receipts</p> <p>There may be other descriptions which fit the overall business better.</p>
15. One of the size standards for a small business could be a size limitation on gross annual receipts per year. What is gross annual receipts?	Gross annual receipts is gross income plus cost of goods sold.	
16. An applicant wants to apply for a grant to help pay for a feasibility study <u>only</u> . Is it an eligible request?	<p>As a sole purpose in a request for a grant - No.</p> <p>The <u>purpose</u> of the grant program is for the <u>purchase</u> of a renewable energy system or to make energy efficiency improvements. If the feasibility study cost is part of overall project costs to purchase an RE/EE system, it is an eligible cost.</p>	
<p>17. A potential applicant has an in-home business. It is an old 2 story farm house. He says that 40% of the residence is used for the business. He would like an energy efficiency grant to replace the heating system and add insulation.</p> <p>I know that residential use is not eligible, but would the business portion of the home be eligible?</p>		This project is not eligible, because it is residential.

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<p>18. We have a greenhouse that is to be replaced since replacing the greenhouse would be more cost effective than improving the existing facility. In calculating the number of years to recoup the investment, is the total project costs included in this calculation or is it just the energy related costs for this project that need to be included in this calculation?</p>		<p>The costs used should be the eligible project costs. Any part of the building that is identified as related energy efficiency through the energy audit is eligible, and those are the costs that should be used for payback calculations.</p>
<p>21. Is a 49% owner of a rural small business eligible for a grant?</p> <p>22. Can an individual apply for a grant – and – as one of the owners of a farm corporation – apply for a second grant?</p>	<p>The rural small business should apply for the grant – which would include all owners.</p> <p>Individuals are not eligible to apply, unless they are applying as a sole proprietorship (they own, operate, and control 100% of the business) and meet the definition of agricultural producers or rural small business.</p> <p>We need to make sure they are not trying to circumvent the regulation. It needs to be a separate and identifiable project on a separate site owned by the applicant applying.</p> <p>If the individual is applying, the individual needs to meet the definition of a rural small business or ag producer on it's own legal merit and needs to be for his own business, not related to the other entity. Remember, the rural small business includes all affiliates, parent companies, subsidiaries, etc.</p> <p>In the case of an individual filing as a sole proprietor for 1 grant application and the farming corporation filing a second grant application for projects on the same farm – that would be a close and genuine relationship and would be a conflict of interest and double dipping.</p>	
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<p>23. A series of wind turbines plan to be built. Each wind turbine will have its own LLC as the owner. Each LLC will build its own wind turbine. Each LLC will have its own site. Each LLC will be submitting an application for a grant. Can an individual be a partner or investor in more than one LLC?</p> <p>Is this considered double dipping?</p> <p>Do we need to verify citizenship of the investors?</p>	<p>This situation is similar to the successful Minnesota LLC wind turbine projects which received funding last fiscal year.</p> <p>Each LLC is a distinct entity, building its own turbine, and having its own site. Final 4280-B regulations require the submission of organizational documents. In addition, RD will need copies of contracts signed with any investors.</p> <p>It would not be considered double dipping.</p> <p>The citizenship of the owners would be taken care of by their statement/certification that at least 51% of the owners are U.S. citizens.</p>	
<p>Can loan closing costs be considered as an eligible cost under professional fees? For example, loan closing costs from a lender, who the applicant has used for the 75% match?</p>	<p>All loan closing fees are not considered "professional fees". A professional fee would include fees charged where a professional service was rendered such as in the case of an appraisal. Items such as loan points or escrowed money for taxes are NOT considered professional fees. Just keep in mind, if the lender or another vender provided a professional service (underwriting could even be considered a professional fee), it is an eligible cost.</p>	
<p>Is an air to air heat pump a renewable energy project or an energy efficiency project?</p>	<p>An air to air heat pump is NOT a renewable energy project.</p>	<p>An air to air heat pump is an eligible energy efficiency project. The tubing and concrete floor would be eligible if they are integral and necessary parts of the overall system for storing and transferring heat to the building.</p>
<p>An agricultural producer currently makes his own feed for his livestock using a tractor fuel powered feed grinder. He wants to switch to an electric powered feed grinder in an enclosed building. Is this an eligible energy efficiency project?</p>	<p>A geothermal heat pump is an eligible renewable energy project.</p>	<p>Yes</p>
		<p>The energy assessment/audit would need to clearly show that this project is an improvement that reduces energy consumption.</p>

