

Farm Bill Section 9007 – 7CFR 4280-Subpart B

Rural Energy for America (REAP) Program

FACT SHEET

Section 9007 – The Rural Energy for America (REAP) Program, through USDA-Rural Development, offers

Part 1

Grants, guaranteed loans, and combination grant/guaranteed loans to help **agricultural producers** and **rural small businesses** purchase and install renewable energy systems and make energy efficiency improvements in rural areas.

Part 2 There are also **grants** for a stand alone feasibility study.

Part 3

Grants are also available to eligible entities to conduct and promote energy audits and provide recommendations and information on how to improve the energy efficiency of the operations of the agricultural producers and rural small businesses; and to use renewable energy technologies and resources in the operations.

Helpful information regarding the Section 9007 program can be found at: www.rurdev.usda.gov/ia/rbs.html - click on the red box in the chart – titled Section 9007 Rural Energy for America (REAP) program.

PART 1 – Renewable Energy or Energy Efficiency Projects**Who is eligible for financial assistance?**

- An **agricultural producer** (individual or entity) directly engaged in the production of agricultural products and obtains at least 50% or greater of their gross income from their agriculture business.
- A **rural small business** – an entity is considered a small business in accordance with SBA's (Small Business Administration) small business size standards (by NAICS codes). SBA small size standards can be found at <http://www.sba.gov/size/index.html>
 - A private entity including a sole proprietorship, partnership, corporation, and a cooperative (including a cooperative qualified under section 501(c) (12) of the Internal Revenue Code.
 - An electric utility, including a Tribal or governmental electric utility that provides service to rural consumers on a cost-of-service basis without support from public funds or subsidy from the Government authority establishing the district, provided such utilities meet SBA's definition of small business. These entities must operate independent of direct Government control.
- With the exception of the entities described above, all other non-profit organizations and public entities are **excluded**.
- For projects with total eligible costs **exceeding \$200,000**, agricultural producers and rural small businesses with a demonstrated financial need.
- For projects with total eligible costs of **\$200,000 or less**, applicants must provide a statement certifying their financial need.

We encourage you to start planning your project now.

Do not wait until the due date to submit your application.

FY 2010 Due Date: To be determined – Applications can be submitted anytime.

Two (2) copies of your renewable energy or energy efficiency project application are to be submitted to the USDA Rural Development Area Office where your project is located or, in the case of a rural small business, where the headquarters are. To find the contact information for the Area Office closest to you, please consult the map at http://www.rurdev.usda.gov/ia/rbcs_BCMaP_of_Iowa_RD_6-04.pdf

To qualify for consideration of funding, an application must meet the application requirements, technical requirements, and environmental requirements.

Separate applications must be submitted for renewable energy system and energy efficiency improvement projects and stand alone feasibility studies. Only one application for each type of project may be submitted per year. A renewable energy application cannot be submitted in the same fiscal year when a feasibility study grant application has been submitted for the same renewable energy system project.

These are the types of projects Rural Development can consider:

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Categories of projects <i>(The project must be located in a rural area – less than 50,000 population.)</i>	Renewable Biomass, Anaerobic Digester, Geothermal – electric generation, Geothermal – direct use, Hydroelectric – 30 megawatts or less Hydrogen, Small and Large Wind, Small and Large Solar Ocean (including tidal, wave, current, and thermal)	Energy Efficiency Improvements verified by an energy audit or assessment.

Program information for renewable energy and energy efficiency projects

	Grant	Guaranteed Loan	Combination Grant & Guaranteed Loan
Who is the applicant?	Agricultural producer or rural small business	A lender is the applicant seeking a guarantee on a loan to an agricultural producer or a rural small business.	2 applications needed. The grant application is from the agricultural producer or the rural small business. The lender submits an application for the guaranteed loan.
What are eligible costs? <i>(All eligible projects must be located in a rural area and utilize a replicable pre-commercial or replicable commercially available, and feasible technology.</i> <i>The applicant must be the owner of the project and control the operation and maintenance of the proposed project.</i> <i>Applicants must demonstrate the project has sufficient revenues to provide for operation and maintenance.)</i>	<ol style="list-style-type: none"> 1. Post application purchase and installation of equipment (new, refurbished, or remanufactured), except agricultural tillage equipment, used equipment and vehicles. 2. Post application construction or project improvements, <u>except residential</u> 3. Energy audits or assessments 4. Permit and license fees 5. Professional service fees, except for application preparation. 6. Feasibility studies (reimbursable as part of a larger project or as a stand alone project 7. technical reports 8. Business Plans 9. Retrofitting 10. Construction of a new energy efficient facility only when the facility is used for the same purpose; is approximately the same size; and based on the energy audit, will provide more energy savings than improving an existing facility. 	The same eligible costs as listed for a grant, with the addition of: <ol style="list-style-type: none"> 10. Working capital 11. Land Acquisition 	Only the guaranteed portion can be used for working capital or land acquisition.

No project can be used for any residential purpose. However, an applicant may apply for funding for the installation of a second meter or provide certification in the application that any excess power generated by the renewable energy system will be sold to the grid and will not be used by the applicant for residential purposes.

Major points to keep in mind –

- Funds cannot be used for projects purchased prior to Agency receipt of an application.
- Do not start construction until after the application has been filed and the environmental assessment has been completed. There is no guarantee you will receive financing so you may want to wait until an award has been made to reduce your risk.
- Residential uses are not eligible.
- Use the tools on the Iowa website – www.rurdev.usda.gov/ia/rbs.html
- Have applications sent to our office well ahead of the due date so we have a chance to review and ask for additional information, if needed.
- Have applications sent to our office well ahead of the due date so we have ample time to finish the environmental assessment. The environmental assessment must be completed prior to the due date for submissions to the National Office or the project can't be considered for funding.
- Follow the format of the application templates. Tab the information in the application as per the template.
- Make sure all requirements are addressed.
- Follow the format requested in the technical report guidelines. Address each piece of information.

Part 2 - Feasibility studies

Purpose – Any renewable energy project (financed through the Rural Energy for America program) in excess of \$200,000 total eligible costs is required to provide a feasibility study. Section 9007 can now provide separate financing for feasibility studies.

Applicant Eligibility - An agricultural producer or small business (same eligibility criteria under **Part 1**)

Project Eligibility – The feasibility study must be for a renewable energy system to be located in a rural area using technology that is commercially available or pre-commercial.

Maximum Grant Amount

- \$50,000 or up to 25% of total eligible costs.
- The project must be done within 2 years of signing the grant agreement.

Use of Grant Funds

- Costs incurred after the application date specific to the development of the feasibility study.

Application Restrictions

- Can only be submitted as a stand alone grant application.
- Cannot be submitted for a renewable energy system project for which a feasibility study has been conducted or funded under any Federal or State program.
- Can be submitted for a modification to an existing renewable energy system
- A renewable energy application cannot be submitted in the same fiscal year if a feasibility study grant application has been submitted for the same renewable energy system project and vice versa.

Application Process

FY 2010 Due Date: To be determined. Applications can be submitted anytime.

Two (2) copies of your feasibility study application are to be submitted to the Iowa Rural Development State Office, 873 Federal Building, 210 Walnut, Des Moines, Iowa 50309. The phone number to call is 515-284-4714.

Separate applications must be submitted for renewable energy system and energy efficiency improvement projects and stand alone feasibility studies. Only one application for each type of project may be submitted per year.

Selection Factors

- Energy replacement or generation
- Commitment of funds for the feasibility study
- Designation as a small agricultural producer/very small business
- Experience and qualification of the entity identified to perform the feasibility study
- Size of feasibility study grant
- Resources to implement the project



Part 3 Energy Audit and Renewable Energy Assistance Grants

PURPOSE

- Grants to eligible applicants who will assist agricultural producers and rural small businesses by conducting energy audits and providing recommendations and information on renewable energy development assistance and improving energy efficiency.

APPLICANT ELIGIBILITY

- A unit of State, tribal or local government;
- A land-grant college, a university, or another institution of higher education
- A rural electric cooperative; or
- A public power entity

USE OF GRANT FUNDS

- Conducting and promoting energy audits
- Conducting and promoting renewable energy development assistance
- Assistance can be provided only to facilities located in rural areas (less than 50,000 population)
- The agricultural producer or small business must pay for at least 25% of the cost of the energy audit.
- The grant funds must be utilized within 24 months from the date of the grant agreement.

MAXIMUM GRANT AMOUNTS

- The maximum grant amount is \$100,000.

APPLICATION PROCESS

- Applications may be submitted electronically via www.grants.gov or
An original and one copy can be sent to
USDA – Rural Development State Office,
873 Federal Building, 210 Walnut,
Des Moines, Iowa 50309.
- Applications can be submitted anytime.
- Applicants are advised to submit their applications as far ahead of the due date as possible to assure the application can be determined complete prior to the deadline.

SELECTION FACTORS

- The in-house ability of the applicant to conduct audits versus using third party auditing organizations as illustrated in the application.
- Whether administrative expenses will be claimed for the project.
- Experience of the applicant in providing the proposed services.
- Geographic scope of the project in relation to identified need.
- Audit cost
- Existing program which reflects energy savings
- Awards the applicant has received for its renewable energy, energy savings, or energy based educational programming.
- Completeness of the marketing and outreach plan
- Level and commitment of funds from other non-state and non-federal governmental matching funds

If you have questions, or need additional information, please call the Iowa USDA Rural Development State Office at (515) 284-4714.

	Renewable Energy Projects	Energy Efficiency Improvements Projects
Description	A system that produces or produces and delivers usable energy from a renewable energy source.	Improvements to a facility, building, or process that reduces energy consumption.
Minimum grant (no more than 25% of total eligible project costs)	\$ 2,500 Total minimum project size has to be at least \$10,000.	\$ 1,500 Total minimum project size has to be at least \$6,000.
Maximum grant (no more than 25% of total eligible project costs)	\$ 500,000	\$ 250,000
Maximum grant per applicant per fiscal year	\$ 750,000	
Minimum guaranteed loan (no more than 75% of total eligible project costs)	\$ 5,000	\$ 5,000
Maximum guaranteed loan (no more than 75% of total eligible project costs)	\$ 25,000,000	\$ 25,000,000
Minimum grant portion of the combined funding request	\$ 1,500	\$ 1,500
Maximum combination grant/guaranteed loan (no more than 75% of total eligible project costs) <i>\$ 25,000,000 – the maximum loan guarantee for a g-loan over \$10 million is 60%.</i>		
Services of a Professional Engineer required?	Projects with total eligible costs > \$400,000	Projects with total eligible costs > \$200,000
Energy audit or energy assessment required?	<i>Computations showing how much energy will be replaced is needed if the project is for self use</i>	YES An assessment or audit is required for all energy efficiency projects. Projects with total eligible costs > \$50,000 require an energy audit.
Business Level Feasibility study required?	Projects with total eligible costs > \$200,000	NO
Technical Report Required?	YES	YES
Stand Alone Feasibility Study Grants (no more than 25% of total eligible project costs)	Maximum grant of \$50,000	
Energy Audit and Renewable Energy Assistance Grants	Maximum grant of \$100,000	