USDA Rural Development

9007 Renewable Energy for America Program (REAP)

July, 2009
Rural Development

- Mission: To increase economic opportunity and improve the quality of life for rural Americans
Rural Development

Over 40 grant, direct loan, and guaranteed loan programs to finance housing, businesses, and infrastructure in rural areas.

Program Areas:

• Rural Housing Programs
• Rural Utility Programs
• Rural Business and Cooperative Programs
Grants and Loan Guarantees

Purpose: Provide financial assistance to agricultural producers and rural small businesses for the purpose of purchasing and installing

1. Energy efficiency improvement* projects
2. Renewable energy* systems

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Grant Only

Feasibility Study - $50,000 or 25% of project (whichever is less)
Eligible Borrowers

- Agricultural producers* or a rural* small businesses*
- US Citizens or entities with at least 51% ownership by US Citizens or legally admitted for permanent residence

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– General Rule of Thumb

• Wholesale – generally not more than 100 employees
• Retail – generally not more than $6.5 million average annual sales. (3 year annual average)
• Service – generally not more than $6.5 million average annual sales (some as high as $32.5 million)
• Manufacturing – generally not more than 500 employees (some as high as 1,500 employees)
• Mining – not more than 500 employees
• Construction – generally not more than $31 million average annual sales. (some as low as 6.5 million)
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Project Eligibility

• Must be located in a rural area
• Pre-commercial* or commercially available* and replicable technology
• Sufficient revenues to provide for operations and maintenance
Project Eligibility:

• Energy Efficiency—improvements that reduce energy consumption or energy consumed per square foot or unit processed
  – Facilities
  – Buildings
  – Processes
Project Eligibility (cont.)

- Renewable Energy Systems—produce or produce and deliver energy from:
  - Wind
  - Solar (Electric and Thermal)
  - Biomass, including anaerobic digesters
  - Geothermal (Electrical and Direct Use)
  - Hydrogen (production from renewable)
Projects that are NOT Eligible

• Residential improvements
• Energy efficiency improvements related to new construction
• Agricultural tillage equipment
• Vehicles
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Guaranteed Loan and Grant Funding

• Guaranteed loans and Guaranteed Loan/Grant combination are limited to 75% of eligible project cost, NTE $25 MM loan

• Grants are limited to 25% of eligible project cost, NTE $500,000 grant for renewable energy and $250,000 for energy efficiency projects
Loan Guarantees

- 85% guarantee for loans $\leq$ $600,000
- 80% guarantee for loans $\leq$ $5$ MM
- 70% guarantee for loans $\leq$ $10$ MM
- 60% guarantee for loans $>10$ MM
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Interest Rates
- Rates are negotiated between lender and borrower
- Fixed or variable

Loan Terms
- 7 years max. for Working Capital
- 20 years max. for M&E
- 30 years max. for Real Estate
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Applications

- Application for Loan Note Guarantee Simplified App for loans ≤ $600,000
- Lender’s commercial loan application and analysis
- Environmental Report
- Technical Report/Energy Audit
- Feasibility Study
Technical Reports

- Follows standard project development process
- Process distilled to 10 discrete elements
- Each element custom tailored to technology and scale
Technical Requirements
10 Sections

- Qualifications of project team
- Agreements and permits
- Resource assessment
- Design and engineering
- Project development schedule
- Financial feasibility
- Equipment procurement
- Equipment installation
- Operations and maintenance
- Decommissioning
Energy Audit

• Critical to Technical Report
  – Provides basis for energy savings and financial feasibility
  – Information in the Audit can be referenced, rather than repeated, in the Technical Report

• Who conducts them?
  – “Certified Energy Manager or Professional Engineer”
Understanding the Technical Review Process
Understanding the Technical Review Process

• Step 1: Application received by State Office
  – State conducts preliminary eligibility determination

• Step 2: State submits proposal to NREL/State Engineer
  – Coordinators verify basic technical data
    • Type of technology
    • Complete technical information
    • Energy audit/feasibility study are included if required

• Step 3: Complete applications sent to reviewers with deadline for review
  – Reviewer roster consists of dozens of nationally recognized technical experts
  – Technology networks are small - confidentiality is very important
Understanding the Technical Review Process

• Step 4: Reviewer determines technical feasibility
• Step 5: Reviewer assigns Technical Merit Score to technically feasible projects
• Step 6: Reviewer calculates recommended scores
  – Quantity of Energy Produced/Saved/Replaced,
  – Commercial Availability
  – Return on Investment
Understanding the Technical Review Process

• Step 7: Initially failed projects assigned to secondary reviewer
• Step 8: Initially failed projects undergo consensus process between reviewers before final technical feasibility determination is assigned
Application Deadlines

Applications are due to NM RD State Office:

- Grants = July 31, 2009
- Guaranteed Loans = July 31, 2009
- Combination Guaranteed Loan/Grant = July 31, 2009
### Section 9006 Funding Activity FY 2003 thru 2007
#### Renewable Energy/Energy Efficiency

<table>
<thead>
<tr>
<th>Technology</th>
<th>No.</th>
<th>Amount</th>
<th>Leveraged</th>
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</thead>
<tbody>
<tr>
<td>Biomass</td>
<td>249</td>
<td>$135,612,303</td>
<td>$458,692,476</td>
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<tr>
<td>Wind</td>
<td>199</td>
<td>36,481,754</td>
<td>504,739,962</td>
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<tr>
<td>Solar</td>
<td>49</td>
<td>1,862,651</td>
<td>4,519,509</td>
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<tr>
<td>Geothermal</td>
<td>26</td>
<td>1,461,337</td>
<td>3,463,084</td>
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<tr>
<td>Hybrid</td>
<td>14</td>
<td>2,529,700</td>
<td>185,664,978</td>
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<tr>
<td><strong>RE Subtotal</strong></td>
<td><strong>537</strong></td>
<td><strong>$177,947,745</strong></td>
<td><strong>$1,157,080,009</strong></td>
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<tr>
<td>Energy Efficiency</td>
<td>875</td>
<td>$20,703,966</td>
<td>$48,343,062</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td><strong>1,412</strong></td>
<td><strong>$198,651,711</strong></td>
<td><strong>$1,205,423,071</strong></td>
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</tbody>
</table>
### Section 9006 Funding Activity FY 2003 thru 2007

**Renewable Energy/Energy Efficiency**

<table>
<thead>
<tr>
<th>Award Type</th>
<th>No.</th>
<th>Grant</th>
<th>Guar. Loan</th>
<th>Leveraged</th>
<th>Average Award</th>
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<tbody>
<tr>
<td>Grant</td>
<td>1,115</td>
<td>$95,153,871</td>
<td>$985,265,349</td>
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<td>$85,340</td>
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<td>Guar. Loan</td>
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<td>$70,820,000</td>
<td>$176,184,000</td>
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<td>$7,868,889</td>
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<td>Combination</td>
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<td>$11,967,985</td>
<td>$20,709,855</td>
<td>$43,973,722</td>
<td>$226,929</td>
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</table>
Additional Information

USDA Rural Development 9007
Renewable Energy for America Program (REAP) Website

www.rurdev.usda.gov/rbs/farmbill/index.html
How to Contact Us

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