



Farm Bill Section 9006

Renewable Energy Systems and Energy Efficiency Improvements Program

FY 2007

Overview

1. Created to help agricultural producers and rural small businesses to purchase renewable energy systems or make energy efficiency improvements.
2. July 18, 2005 RD Instruction 4280-B was issued to govern the Renewable Energy Systems and Energy Efficiency Improvements Program (Grant and Guaranteed Loan Program).
3. Fiscal Year 2006 greater than \$17.5 million in competitive grants were selected for 375 projects in 36 states and over \$4.6 million in combination loan guarantees and grants.
4. Complete applications must be submitted to the USDA Rural Development State Office.

Applicant Eligibility (Grant and Guaranteed Loan Program)

1. Applicant must be an agricultural producer or rural small business.
2. Applicant headquarters may be in a rural or non-rural location.
3. Individuals must be U.S. citizens or legal permanent residents of the U.S.
4. Entities must be at least 51 percent owned by individuals who are either U.S. citizens or legal permanent residents of the U.S.
5. Applicant may not have Federal Court judgments, delinquent Federal Income Taxes, delinquent Federal debt or be debarred from receiving Federal assistance.
6. Applicant must demonstrate financial need for grant applications.
7. Applicant or owner who has received one or more grants and/or loans under this program must make satisfactory progress, as determined by the Agency, toward completion of any previously funded projects before it will be considered for subsequent funding.

Amounts and Matching Funds (Grant and Guaranteed Loan Program)

1. Min/Max grant for Renewable Energy Systems is \$2,500 - \$500,000
2. Min/Max grant for the Energy Efficiency Improvement projects is \$1,500 - \$250,000
3. Maximum grant per applicant per fiscal year is \$750,000
4. Grant requests cannot exceed 25 percent of the total eligible project costs.
5. Applicant must provide at least 75 percent of the total eligible project costs as matching funds.
 - Applicant in-kind and other Federal grants may not be used to meet this requirement.
 - Third-party in-kind is limited to 10 percent of the total eligible project costs
6. Maximum Guaranteed Loan will not exceed 50 percent of total eligible project costs.
7. Min/Max Guaranteed Loan is \$5,000 (less grant amount) - \$10 million.
8. Maximum combined grant and guaranteed loan may not to exceed 50 percent of total eligible project costs.

Project Eligibility (Grant and Guaranteed Loan Program)

1. Projects must be for the purchase of renewable energy systems or to make energy efficiency improvements.
 - a. Renewable Energy System – System that produces or produces and delivers usable energy from a renewable energy source.

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- b. Energy Efficiency Improvement – Improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot. (HVAC systems, insulation, refrigeration, lighting, irrigation systems, pumping systems, air systems, motor systems, etc.)
2. Projects must be for a pre-commercial or commercially available and replicable technology.
3. Projects must have technical merit.
4. Project must be located in a rural area - Any area other than a city or town with population over 50,000. Cannot be in an urbanized area adjacent to such a city or town.
5. Applicant must be the owner of the project and control the revenues and expenses of the project, including operation and maintenance.
6. Site must be controlled by the agricultural producer or small business for the financing term of any associated loans or loan guarantees.
7. Satisfactory sources of revenue in an amount sufficient to provide for the operation, management, maintenance, and debt service of the project must be available for the life of the project.

Eligible Project Costs (Grant and Guaranteed Loan Program)

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 improvements, except residential.
3. Energy audits or assessments.
4. Permit and license fees.
5. Professional service fees, except for application preparation.
6. Feasibility studies and technical reports.
7. Business plans.
8. Retrofitting.
9. 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. Only the items identified in the energy audit are allowed).
10. Working Capital (**Guaranteed Loan only**).
11. Land Acquisition (**Guaranteed Loan only**).

Ineligible Project Costs Include: Any costs not identified above as eligible costs.

Technical Report Requirements

1. There are different requirements based on type of technology and size of project.

| | |
|---------------------------------|--------------------------------|
| Bioenergy | Anaerobic Digester |
| Geothermal, Electric Generation | Geothermal, Direct Use |
| Hydrogen * | Solar, small (10kW or smaller) |
| Solar, Large (larger than 10kW) | Wind, small (100kW or smaller) |
| Wind, large (larger than 100kW) | Energy efficiency improvements |

*** Hydrogen must be derived from biomass or water using wind, solar, or geothermal energy sources.**

2. Technology guides are available on the web site: <http://www.rurdev.usda.gov/rbs/farmbill>
3. Projects with total eligible project costs greater than \$1,200,000, the Technical Report must be reviewed and include an opinion and recommendation by an independent qualified consultant.

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Renewable Energy Systems

1. Projects with total eligible project costs in excess of \$400,000 require the services of a professional engineer.
2. Projects with total eligible project costs in excess of \$200,000 require a business-level feasibility study by an independent, qualified consultant.

Energy Efficiency Improvement Projects

1. Projects with total eligible project costs greater than \$50,000 an energy audit must be conducted by or reviewed and certified by an energy manager or professional engineer.
2. Projects with total eligible project costs in excess of \$200,000 require the services of a professional engineer.

Interest Rates (Guaranteed Loan Program)

1. Will be negotiated between the Lender and the Applicant

Terms of Loan (Guaranteed Loan Program)

1. Real estate must not exceed 30 years.
2. Machinery and equipment must not exceed 20 years or useful life.
3. Combined loans of real estate and machinery must not exceed 30 years.
4. Working Capital must not exceed 7 years

Guaranteed/Annual Renewal Fees

1. Guaranteed fee of 1 percent at time loan note guarantee is issued (may be passed to the borrower).
2. Annual Renewal fees will be 1/8 of 1 percent based on unpaid principal balance (may NOT be passed to the borrower). Subject to change.

How do Applicants Apply

- FY 2007 applications are to be delivered to the USDA Rural Development State Office:
 - Grants may be accepted in multiple rounds.
 - Guaranteed Loans will be accepted on an ongoing basis throughout the year, and
 - Combination Guaranteed Loan and Grant Packages will be accepted monthly.
- Plan your project, consult experts, and start making decisions.
- Complete Technical Report – Required for all projects, follow the format in the guidelines which include 10 aspects of the project that must be addressed.
- If an energy efficiency project, get an energy audit or assessment completed.
- Early, provide environmental information to the USDA Rural Development Area Office.
- Follow the RD Instruction 4280-B for the application requirements and other details.
- Regulations, application forms, technical guides, and other supporting material are available at USDA
- Contact your USDA Rural Development Office for details and assistance in putting your grant application together.
- Applicants must self-score their project – RD will verify and documentation is critical
- **Must submit an original and one complete copy of each application to the Kansas Rural Development State Office at:**

USDA Rural Development
Business and Community Programs
1303 SW First American Place, Suite 100
Topeka, KS 66604-4040

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USDA Farm Bill Section 9006 web site: <http://www.rurdev.usda.gov/rbs/farmbill/>
Kansas USDA Rural Development web site: <http://www.rurdev.usda.gov/ks>

For Further Information Contact:

USDA Rural Development
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Iola, Kansas 66749

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