Rural Energy For America
Guaranteed Loan and Grant Program

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USDA/Rural Development

Committed to the future of rural communities.
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
Section 9007
Rural Energy for America

- Program designed to assist farmers, ranchers and rural small businesses with energy projects.

- Provides guaranteed loans and/or grants for renewable energy and/or energy efficiency projects.
Section 9007
Rural Energy for America

- Program for performing energy audits—grants.
- Eligible use of funds can be a stand alone feasibility study.
- Combo (loan/grant) 75% of eligible project costs.
- Recently added ocean (including tidal, wave, current, and thermal) and hydro-electric.
- Funding increased from $23M (08) to $60M (09) to approx. $90M (10). Nationally
Section 9007
Rural Energy for America

• 2003-2009, a total of $131.5 million in grants and $76.7 million in loan guarantees were awarded to 1,1671 projects.

• Hawaii has been awarded $698,000 grant funds (1-$100,000 loan guarantee) for 14 solar projects—0.52% OF AVAILABLE FUNDS

• Want to get more projects funded for Hawaii.

Committed to the future of rural communities.
Who is Eligible?

- **Rural small businesses and agricultural producers**
  - **Rural** – All of Hawaii (except Honolulu CDP) and all of the Western Pacific.
  - **Agricultural Producer** -- An individual or entity *directly* engaged in the production of agricultural products (including farming or ranching) that gets 50% + of their gross income from the operations.
Where is Not Eligible?
Who is Eligible?

**Small Business** – Must meet Small Business Administration (SBA) small business size standards (by number of employees or by annual receipts):

- Non-profits are **excluded** *(may be able to use other USDA RD programs).*
Who is Eligible?

**Small Business/Farms/Ranches** – Financial information is required on the total operation of the applicant, its parent, subsidiary, or affiliates at other locations -- must be substantiated by authoritative records.
Types of Applications

• Grant only—less than $200,000 in total project costs (not grant amount)—"Simplified"

• Grant only—greater than $200,000 in total project costs—"Full"

• Guaranteed Loan—less than $600,000

• Guaranteed Loan—greater than $600,000

• Combination Guaranteed Loan/Grant
Simplified Application

- Under $200,000 in total project costs (under $50,000 grant)
- Grant funds are paid after the project is done
  - Usually 90% after a "shake-down" period is complete (30 days)
  - Remainder after all grant conditions have been met (Notice of Federal Interest in Personal Property filed with the State, etc.)
Full Application

Total project costs greater than $200,000 (grant greater than $50,000)

Financial information:

(i) **Historical financial statements** for past 3 yrs--income statements & balance sheets (GAAP).

(ii) **Current balance sheet and income statement** w/in 90 days of the application.

(iii) **Pro forma financial statements** at project start-up that reflects the use of the loan/ grant; and 3 more years... supported by a list of assumptions showing the basis for the projections.
Full Application

- **Business Level Feasibility Study** by an independent, qualified consultant--must include an evaluation of economic, market, technical, financial, and management feasibility.

- Different contracting requirements.

- Different technical report requirements (more detail, more standards).
What Projects are Eligible?

• Any renewable energy or energy efficiency project as defined in the law.
  
  – Biomass, Anaerobic Digester, Geothermal (electric generation and direct use), Hydrogen, Wind, Solar (photovoltaic and thermal) and [small hydro and ocean energy—added 2008]
  
  – Energy Efficiency Improvements--improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot.
What Projects are Eligible?

- Must be the owner of the project and control the revenues and expenses of the project, including O&M (can contract this out to a third-party).
- Site(s) must be controlled for the financing term of any associated Federal loans or loan guarantees.
- Must have revenue to provide for the operation, management, maintenance, and debt service of the project.
- Residential use is not allowed.
What Costs are Eligible?

- Completing an energy audit or assessment;
- Only those costs identified in the energy audit/assessment for energy efficiency improvements are allowed.
- *Post-application* purchase and installation of equipment, *except* agricultural tillage equipment and vehicles (includes delivery vehicles, boats, tractors, etc);
- *Post-application* construction or project improvements, *except residential*;
What Costs are Eligible?

• Permit and license fees;
• Feasibility studies and Technical reports;
• Business plans;
• Retrofitting;
• Construction of a new energy efficient facility—under certain conditions;
• [Guaranteed loans only]
  – Working capital.
  – Land acquisition.
What Projects are Eligible?

• Grants request can be up to 25% of project costs
  – Renewable Energy:
    • Minimum grant request: $2,500
    • Maximum grant request: $500,000
  – Energy Efficiency
    • Minimum grant request: $1,500
    • Maximum grant request: $250,000
What Projects are Eligible?

- Guaranteed loan request can be up to 75% of project costs
  - Minimum loan request: $5,000
  - Maximum loan request: $25,000,000
  - % of guarantee negotiated between the lender and USDA.
  - Maximum percentage of guarantee:
    - 85% for loans of $600,000 or less;
    - 80% for loans of $600,001 to $5 million; and
    - 70% for loans greater than $5 million to $10 million.
  - >$10M?
Projects Funded

2008
Kealakekua Farm Management LLC
  5 kW pv--$9,000 grant; $42,000 total
Island Dairy, Inc.
  131.4 kW pv--$250,000 grant; $1,000,000 total
Friendly Market Center
  126.5 kW pv--$173,500 grant; $100,000 guaranteed loan; $694,000 total

2007
Kim Markham, Bookkeeper
  8 kW pv--$16,747 grant; $66,987 total

2006
Moloka’i Drug Store
  20 kW pv--$45,500 grant; $182,000 total
Malte Simmer
  7.2 kW pv- $15,195 grant, $60,780 total
Hotel Honokaa
  18.1 kW pv- $37,500 grant, $150,000 total
Application Processing--Grants

- Hawaii State Office reviews for completeness and eligibility.
- If complete and eligible, technical report reviewed--National Renewable Energy Lab. (NREL) in Golden, CO or in-house for solar/wind/EE projects.
- Technical Review/Score and application score.
Resources

- Templates for completing Technical Reports (under $200K in total project costs).
- Templates for submitting simplified grant, full grant, guaranteed loan, and combination guaranteed loan/grant projects.
- Telephone/e-mail assistance on completing forms, etc.
Resources


USDA/Rural Development

http://hawaii.gov/dbedt/info/energy

DBEDT—Strategic Industries Division

http://www.eere.energy.gov/

DOE/Office of Energy Efficiency and Renewable Energy

http://www.findsolar.com/

Solar Calculator

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Grant Tips

• Read the directions in the funding notice.
• Follow the directions.
• Take the approach that you are asking strangers to invest in your project—why should they?
• Keep it simple—most grantors do not know your industry/situation/project.
• Grant writer –v- doing it yourself?
• More is not necessarily better.