



United States
Department of
Agriculture

Rural Development



USDA Rural Development
Opportunities for Energy Funding
March 2019 Overview

USDA Rural Development- Opportunities for Energy Funding

- About Rural Development
- Rural Energy for America Program (REAP)
- Business and Industry Program
- Electric Infrastructure Loan and Loan Guarantee Program
- Rural Energy Savings Program

About USDA Rural Development

- We offer loans, grants and loan guarantees to:
 - help create jobs
 - support economic development
 - finance essential services
 - Finance water, electric and communications infrastructure.



Rural Energy for America Program (REAP)

Rural Energy for America Program (REAP)

Promotes energy efficiency and development of renewable energy for agricultural producers and rural small businesses.















Provides loan guarantees and grants for energy efficiency improvements and renewable energy systems.

Rural Energy for America Program (REAP)

Renewable Energy Systems		Energy Efficiency Improvements	
Grant amount cannot exceed 25% of Eligible Project Cost			
Minimum Grant Request	\$2,500 Total eligible project costs \geq \$10,000	Minimum Grant Request	\$1,500 Total eligible project costs \geq \$6,000
 Maximum Grant Request	\$500,000 Total eligible project costs \geq \$2 million	 Maximum Grant Request	\$250,000 Total eligible project costs \geq \$1 million
Minimum Loan Amount	\$5,000 Total eligible project costs \geq \$6,667	<div style="border: 1px solid black; padding: 5px; background-color: #e0e0e0;"> Loan amount cannot exceed 75% of eligible project cost </div>	
Maximum Loan Amount	\$25 million Total eligible project costs \geq \$33.4 million		

Rural Energy for America Program (REAP)

**Improve
Profits for
Your
Farm or
Ranch with
REAP**

Energy Efficiency		Renewable Energy	
	Lighting		Solar
	Heat & Power		Wind
	Refrigeration		Small Hydroelectric
	HVAC		Anaerobic Digesters
	Equipment and Processes		Biomass
	Automated Controls		Geothermal
	Buildings Updates		Wave/Ocean Power

The technology must be commercially available. Research and development projects do not qualify.

Rural Energy for America Program (REAP)

Eligible Applicants and Borrowers

Agricultural Producer



- **Individual or entity that receives 51 percent or more of their gross income from agricultural production** – crops, livestock, aquaculture, forestry operations, nurseries, dairies

Rural Small Business



- **For-profit small business** - as defined by the Small Business Administration (SBA)
- **Rural area or non-metro community of \leq 50,000**

Rural Energy for America Program (REAP)



Eligible Project Costs

- **Equipment:**
 - Purchase & installation
 - New or refurbished
- **Post-application construction & facility improvements**
- **Retrofitting**
- **Professional service fees**
- **Permits & license fees**
- **Working capital, land acquisition (Loan Guarantee ONLY with restrictions)**



Ineligible Project Costs

- **Residential energy projects**
- **Equipment:**
 - Farm tillage equipment
 - Used equipment
 - Vehicles
- **Pre-application construction & facility improvements**
- **Application preparation or grant writer fees**
- **Line of credit**
- **Lease payments**
- **Payment to the applicant/business owner, beneficiary, or relative**

Business & Industry (B&I)

This program is authorized by the Consolidated Farm and Rural Development Act

Purpose is to improve, develop, or finance business, industry, and employment, and improve the economic and environmental climate in rural communities

Bolster the existing private credit structure through the guarantee of quality loans that will provide lasting community benefits

Business & Industry (B&I)

Guarantee Percentages/Rates/Terms

- 80% for loans of \$5 million or less
- 70% for loans between \$5 and \$10 million
- 60% for loans exceeding \$10 million, up to \$25 million maximum
- The initial guarantee fee is 3% upon issuance of the Loan Note Guarantee
- An annual renewal fee of 0.5% is due based on the 12/31 principal balance
- Rates and Terms – Same as REAP

Business & Industry (B&I)

Eligible Borrowers

- For-profit businesses
- Nonprofits
- Cooperatives
- Federally-recognized Tribes
- Public bodies
- Individuals



Business & Industry (B&I)

Eligible Purposes

- Business conversion, enlargement, repair, modernization or development
- Purchase and development of land, buildings, or facilities
- Purchase of equipment, machinery, supplies, or inventory
- Debt refinancing when refinancing improves cash flow and creates or saves jobs
- Business and industrial acquisitions when the loan will create or save jobs

Business & Industry (B&I)

2016 Regulation Enhancements More Eligible Purposes:

- Business Ownership Conversions through ESOPs or Cooperative Ownership
- Projects that use New Markets Tax Credits as an equity source
- Local Food Hubs



Electric Infrastructure Loan and Loan Guarantee Program

Eligible Purposes

- Finance the construction of:
 - Electric distribution, transmission, and generation facilities
 - System improvements and replacement required to furnish and improve electric service in rural areas,
 - Demand side management, energy efficiency & energy conservation programs.
 - On-grid and off-grid renewable energy systems.
- To provide or propose to provide:
 - Retail electric service needs or rural areas
 - Power supply needs of distribution utilities

Electric Infrastructure Loan and Loan Guarantee Program

Eligible Borrowers

- Corporations
- States
- Territories (and their subdivisions and agencies)
- Municipalities
- People's utility districts;
- Cooperative
- Non-profits,
- Limited-dividend and LLCs

Electric Infrastructure Loan and Loan Guarantee Program

Program	Program Purpose	FY18 Funds Appropriated
FFB Guaranteed	Loans to finance new and improved infrastructure in communities, including energy efficiency and smart grid. \$600 million available for refinancing	\$5.5 Billion
Section 313A	Provides financing to lenders through underwriting guarantees for RE Act purposes	\$750 million
Rural Energy Savings Program	Zero interest loans to entities that agree to make loans affordable loans (up to 5% interest) to implement cost effect energy efficiency measures	\$60 million
High Energy Grants	Assists energy providers and other eligible entities in lowering energy cost with extremely high per-household energy cost (275% of the national average)	\$10 million

Electric Infrastructure Loan and Loan Guarantee Program

What are the loan terms?

- Generally, repayment may not exceed the useful life of the facility being financed, with a maximum repayment schedule of 35 years
- Power supply borrowers are limited by terms of wholesale power contracts
- Loan Guarantees and Treasury Rate Loans: Interest rates are fixed at the time of each advance based on rates established daily by the United States Treasury, plus 1/8 of 1%
- Hardship Loans: Interest rates are fixed at a rate of 5% for up to 35 years
- Borrowers must have legal authority to provide, construct, operate and maintain the proposed facilities or services
- Facilities receiving federal financing must be used for a public purpose
- Partnerships with other federal, state, local, private and non-profit entities are encouraged

Electric Infrastructure Loan and Loan Guarantee Program

What's new?

- Section 317 of the RE Act allows the agency to make electric loans for electric generation from renewable energy sources for resale to rural and non-rural residents.
- Renewable energy sources is defined as wind, solar, hydropower, biomass or geothermal.
- Previously, the agency did not have the authority to use this section because the interest rate to be charged on these loans was from a program that had no funds (the old 'muni-rate" loan program).
- The 2019 Appropriations Bill removed this restriction, so that agency can make direct loans from the Federal Financing Bank.

Electric Infrastructure Loan and Loan Guarantee Program

- **What kind of funding is available?**

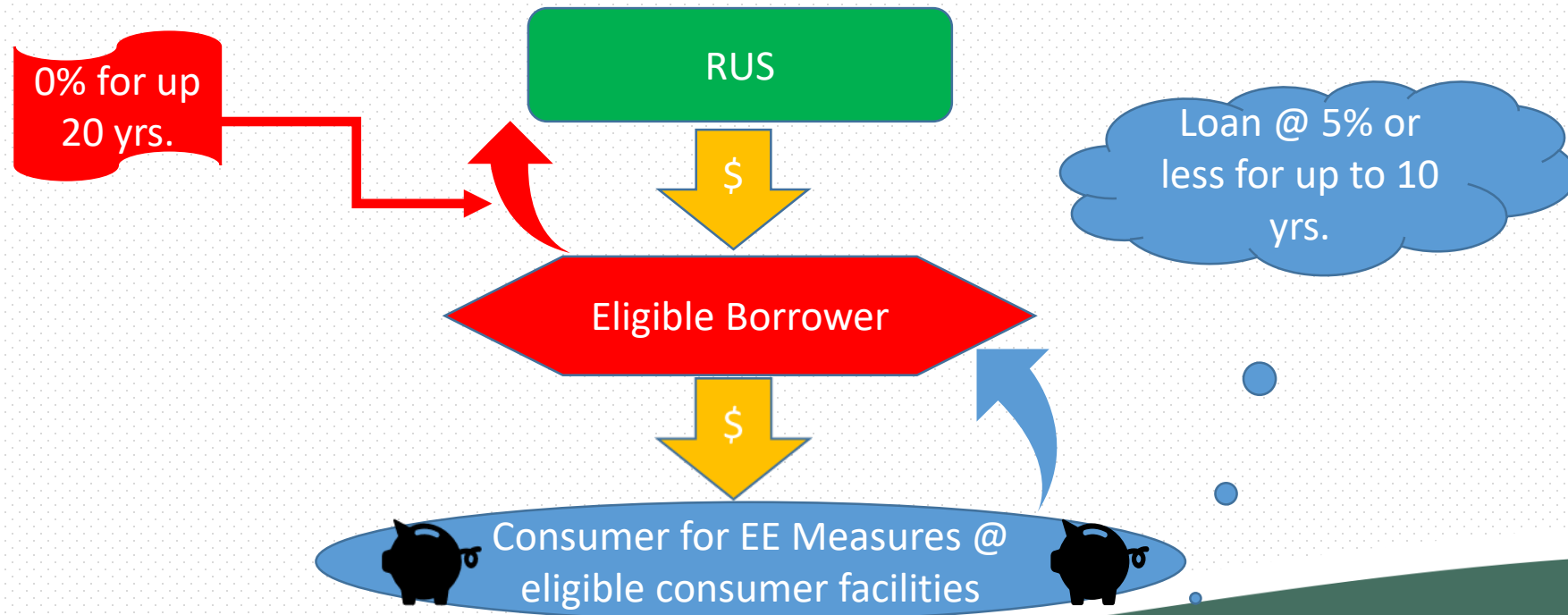
- Loan Guarantees up to 100% allow the Federal Financing Bank (FFB) to extend credit to qualified borrowers in rural areas. 100% of the construction work plan can be financed
- Hardship Loans may be used, at the sole discretion of the Rural Utilities Service, to assist applicants in rural areas that are either economically distressed or recovering from an unavoidable event, such as a natural disaster.

Rural Energy Savings Program- Direct Loan

Why do we have RESP?

To help rural families and small businesses achieve cost savings through loans that would enable them to implement durable cost-effective energy efficiency measures.

How do we help rural families and small businesses achieve cost savings?



Rural Energy Savings Program

- **What are the loan terms?**

- 0% interest rate
- 20 Year Maximum Loan Term
- 10 Year Advance (Draw) Period
- Up to 4% for startup (Special Advance)
- No more than 50% draw in any one year
- Must start repayment at 10 years
- Equipment/materials must be ATTACHED to a dwelling/building/property

USDA Energy Resources

USDA Energy Program Matrix

<http://www.usda.gov/energy/matrix/Home>

<https://www.rd.usda.gov/programs-services/all-programs/electric-programs>

- Provides information on USDA programs that support, electric infrastructure, renewable energy and energy efficiency projects.
- The map displays investment location, type of energy, assistance provided, and the associated USDA program.
- The energy investment data is summarized by state, county, and congressional districts by total number of investments and total dollar amounts.

