Rural Energy Programs from USDA Rural Development

Alan Stephens, State Director
Gary Mack, RBS Program Director
REAP grants & loan guarantees

Rural Energy for America Program
(the new & improved “§9006 program”)
REAP funds available

FY 2014 Funding = $60 Million?

FY 2013 Funding = $64 Million

Long term outlook:

- Farm Bill passed Senate and House
- Uncertain what Arizona state allocation will be
REAP - Purposes

- Energy Audit/Renewable Energy Development Assistance
- Feasibility
- Equipment & construction of renewable energy and energy efficiency projects
EA/REDA Grant

- Eligible Applicants – Counties, tribes, colleges, rural electric co-ops, public power entities

- Purpose – Conduct EA/REDA for agricultural production and rural business.

- Maximum grant - $100K

- $2.4M available for 2014
Feasibility Study Grants

- Eligibility – Ag Producer/Rural Business
- Purpose – Conduct feasibility study for commercially available technologies
- 25% of project costs or $50,000 maximum
- Can include environmental studies
- Approximately $500k available for FY 2014
REAP RES/EEI Funding

- Grants
- Guaranteed Loans
- Grant/Guaranteed Loan Combination
REAP grants

- Finances up to 25% of the cost of a rural energy project
- Maximum REAP grant:
  - Energy Efficiency: $250,000
  - Renewable Energy Systems: $500,000
  - Minimum $1,500 Energy Efficiency
  - Minimum $2,500 Renewable Energy Systems
- State incentives can be used as match
REAP eligible technologies

- **Wind** – turbines, small & large
- **Solar** – PV or Thermal
- **Biomass & Bioenergy** – biofuels (e.g., biodiesel) or electricity (e.g., biomass boilers & wood pellets) from renewable organic source materials
- **Anaerobic Digester** – animal waste
- **Geothermal** – electric or direct use
- **Flex Fuel Pumps** – Ethanol and Biodiesel
- **Energy Efficiency** – commercial or farm buildings, irrigation systems

New eligible category!
- **Hydroelectric** – micro-hydro—proven technologies only
REAP eligible applicants

- **Agricultural Producers**
  (50% or more of income from agriculture operation)

- **Small Rural Businesses**
  (SBA size standards)

Not eligible:

- Nonprofits & public entities
- Residential projects
REAP other requirements

- Project must be located in **rural area** (non-metro) Ag producers exempt
- **Commercially-available technology** (not R & D)
- US citizen or permanent resident – removed from regulation
REAP process

- Accepting Application for FY 2014
- Can start project once complete application is submitted
- Application template is available on Oregon-RD’s website (can be used in Arizona) http://www.rurdev.usda.gov/ORbcp_energy.html
- Consider Hiring Grant Writer (list of grant writers available)
REAP grants – “the sweet spot”

- Projects with greatest chance of success:
  - **Small renewable energy projects**
    - $20K or less
    - Small wind
    - Rooftop solar
    - Such projects submit simpler applications
    - No feasibility study is required
  - **Energy efficiency projects**
    - Energy savings >35% energy audit by a PE or CEM
REAP guaranteed loans

Lender-driven: federal guarantee of bank loans for energy projects

- Maximum loan amount is $25 million
- Arizona has approval for $7.5 million
- Lender gets a 60-85% guarantee (depending on loan size) on their loan
- Loan can finance up to 75% of project
REAP “combos”
(grants + guaranteed loans)

- Combination cannot exceed 75% of project cost; grant amount not to exceed 25%.

- “Combo” projects may enjoy faster approval process & increased access to grants.

- If grant is not awarded neither is the guarantee.
REAP CHANGES

- No U.S. ownership requirement – project must be in state. Applicant must have business in state.
- Demonstrate financial need has been removed.
- Tribal business enterprises are now eligible.
- E-85 or Blender pumps eligible (ethanol and biodiesel).
- Ag producers can be located in urban areas. SRB cannot.
USDA Rural Development

Contacts for Arizona

Don Hollis, Energy Coordinator
don.hollis@or.usda.gov

Gary Mack, Business Program Director
gary.mack@az.usda.gov