

Section 9006

Renewable Energy/Energy Efficiency Grants and Loans

Molly Hammond
Business Cooperative Specialist



Outline

- History of the program
- Definitions
- Highlights of the program
- Who is eligible?
- What is eligible?
- Application Requirements
- Project Scoring
- Environmental Analysis
- Construction Planning
- Loan Guarantees
- Surviving the Grant Process
- Questions

What is the Section 9006 Program?

- Created as a U.S. Department of Agriculture program
- Designed to assist farmers, ranchers and rural small businesses with energy projects
- Provides grants and loan guarantees for renewable energy and energy efficiency projects.
- Created as a 5 year program. Congress funded the program at approximately \$22.8 million per year for the first four years.

Section 9006: FY 04-06 Grant Awards

	2004	2005	2006
Digesters	\$ 9,508,946	\$ 5,018,017	\$ 2,880,957
Bioenergy	\$ 3,136,132	\$ 2,118,391	\$ 6,993,218
EE Buildings	\$ 1,635,799	\$ 783,019	\$ 980,757
EE Industrial	\$ 177,175	\$ 827,410	\$ 3,532,179
Geothermal	\$ 285,353	\$ 94,930	\$ 540,999
Hybrid	\$ 126,992	\$ 199,863	\$ 81,404
Solar	\$ 54,822	\$ 661,855	\$ 782,396
Wind, large	\$ 7,301,540	\$ 12,432,626	\$ 4,730,000
Wind, small	\$ 585,290	\$ 101,157	\$ 687,525
TOTAL	\$ 22,812,049	\$ 22,237,268	\$ 21,209,435



Illinois approximately \$3.2 million

Renewable Energy

- Energy derived from a wind, solar, biomass, or geothermal source; or hydrogen derived from biomass or water using wind, solar, biomass, or geothermal energy sources
- Renewable energy system
 - A system that produces or produces and delivers usable energy from a renewable energy source.

Renewable Energy Systems

Examples

- Biomass and Bioenergy Projects – The production of fuel, thermal energy or electric power from wood, agricultural crops, crop residue, animal wastes, fats, oils or greases or other energy crops.
 - Biodiesel plant
 - Wood, corn or straw burning furnace to supply heat to the farm/construction shop
- Biomass does NOT include paper that is commonly recycled or unsegregated solid waste (landfills)

Renewable Energy Systems

- Anaerobic Digester Projects – The use of animal waste or other organic substrates to produce thermal or electrical energy through anaerobic digestion.
 - Anaerobic digester for 1,000 head dairy operation to provide methane for heat of on site improvements or to power a generator for the sale of electricity.

Renewable Energy Systems

- Geothermal, electric generation –
Geothermal projects that produce electric power from a geothermal heat source
 - Found mostly in western states. Use steam generated within the earth to power turbine and generators.

Renewable Energy Systems

- Geothermal, direct use – Geothermal projects that directly use thermal energy from a geothermal heat source.
 - Direct heating of greenhouses
 - Geothermal HVAC systems
 - Aquaculture

Renewable Energy Systems

- Hydrogen- energy projects that produce hydrogen and renewable energy using mechanical or electric power or thermal energy from a renewable resource and uses hydrogen as an energy transport medium.

Renewable Energy Systems

- Solar, small – Two types
 - Small solar **electric** projects with power rated at 10kW or smaller.
 - Remote water pumping station.

Renewable Energy Systems

- Small solar **thermal** projects with storage volume of less than 240 gallons.

- Hot water heat for buildings.
- Wash down of milking parlor at dairy farm.

Renewable Energy Systems

- Solar, large – Two types
 - Large solar **electric** projects with power of 10kW or greater.
 - On farm power to supplement purchased power.

Renewable Energy Systems

- Large solar **thermal** projects with a storage volume greater than 240 gallons.
 - Hot water heat for buildings. Wash down of milking parlor at dairy farm.

Renewable Energy Systems

- Wind, small – Wind turbine of 100kW or smaller and with a generator hub of less than 120 feet high.
 - 40kW wind turbine that produces electricity to supplement purchased power at the farm or small rural business.

Renewable Energy Systems

- Wind, large – Larger than 100kW.
 - Wind turbine in Pike County (Illinois Rural Electric Cooperative)



Program Highlights – FY '06

- Minimum grant \$2,500
- Maximum grant \$500,000
- Maximum total grants to one individual or entity is \$750,000 (\$500,000 renewable, \$250,000 efficiency)
- Grant can cover up to 25% of eligible project costs
- 2007 Application Deadline: TBD



Energy Efficiency Improvement

- Improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot.

Energy Efficiency Improvement Examples

- Replace a grocery store's coolers and freezers with high efficiency models.
- Purchase a high efficiency grain dryer. Applicant could be an agricultural producer or small grain elevator.
- Replace old inefficient furnace in retail shop with high efficiency HVAC system.

Energy Efficiency Improvement Examples

The background features a stylized illustration in shades of blue and green. On the right, a water tower stands prominently. To its left, there are silhouettes of various buildings, including a large industrial-style structure and a smaller house-like building. The bottom of the image shows rolling green hills.

- Install high efficiency lighting and insulation in a manufacturing facility.
- Install high efficiency diesel engine and low pressure center pivot irrigation system replacing older inefficient system.
- Install thermal blanket for greenhouse.

Program Highlights – FY '06

- Minimum Grant \$1,500
- Maximum Grant \$250,000
- Grant can cover up to 25% of eligible project costs
- 2007 Application Deadline: TBD





Applicant Eligibility



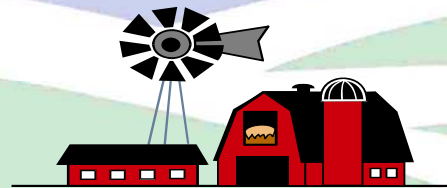
Committed to the future of rural communities.

Applicant Eligibility

1. The applicant must be an agricultural producer or a rural small business.

Agricultural Producer

- **Agricultural Producer** – An individual or entity directly engaged in the production of agricultural products (including farming or ranching) that gets 50% or more of their gross income from the operations in the calendar year preceding.



Rural

- Any area other than a city or town that has a population of greater than 50,000 inhabitants and the urbanized area contiguous and adjacent to such a city or town.

- <http://www.rurdev.usda.gov/rbs/>

(Lower left corner of page)

“ERS – Rural Area Determination”

Small Business

- Small Business – Must meet Small Business Administration (SBA) small business size standards. Must be either:
 - A private entity including a sole proprietorship, partnership, corporation, cooperative (including a cooperative qualified under section 501(c)(12) of the Internal Revenue Code), or
 - An electric utility that provides service to rural consumers on a cost-of-service basis. Must be independent of government control or public funds.
 - www.sba.gov/size/indexableofsize.html
 - Non-profits are excluded.

Applicant Eligibility

2. Individuals must be citizens of the U.S. or reside in the U.S. after being legally admitted for permanent residence.

Applicant Eligibility

3. Entities must be at least 51 percent owned directly or indirectly by individuals who are either citizens of the U.S. or reside in the U.S. after being legally admitted for permanent residence.
4. If the applicant or an owner has an outstanding judgment obtained by the United States in a Federal Court, is delinquent in the payment of Federal income tax or is delinquent on a Federal debt, the applicant is not eligible to receive a grant until the judgment is paid in full.

Applicant Eligibility

5. If the applicant is applying as a rural small business, the business headquarters must be in a rural area and the funded project also must be in a rural area.
6. The applicant must have demonstrated financial need.

Demonstrated Financial Need

- The applicant must demonstrate that it is unable to finance the project from its own resources or other funding sources without grant assistance.



Project Eligibility



Committed to the future of rural communities.

Project Eligibility

1. The project must be for the purchase of a renewable energy system or make energy efficiency improvements.
2. The project must utilize pre-commercial or commercially available and replicable technology. (Not for research and development projects.)

Project Eligibility

3. The project must have technical merit.
4. The project must be located in a rural area.
5. The applicant must be the owner of the system and control the operation and maintenance of the proposed project. A qualified third party operator may be used to manage the operation and/or maintenance of the proposed project.

Project Eligibility

6. All projects financed under this subpart must be based on satisfactory sources of revenue in an amount sufficient to provide for the operation and maintenance of the system or project.
(Financial Feasibility)

Eligible Purposes

- Post-application construction, improvements and purchase of equipment
- Professional service fees (except for application preparation)
- Feasibility studies and technical reports
- Business plans
- Permit and license fees
- Energy audits or assessments
- Retrofitting
- Construction of new energy efficient facility when the energy savings will be more than improving an existing facility

What Costs are NOT Eligible

- Pre-application construction
- Residential improvements
- Used equipment, vehicles or agricultural tillage equipment
- Applicant in-kind contributions
- Costs paid prior to an application being received by Rural Development/USDA

Application Requirements

- Forms, certifications and organizational documents
- Table of contents
- Project summary
- Financial information (Not required for simplified applications)

Application Requirements

- Matching funds
- Self-evaluation score
- Technical report
- Energy assessment or audit for energy efficiency projects
- Business-level feasibility study for renewable energy systems

Forms, Certifications and Organizational Documents

- All necessary Federal forms available for download at www.rurdev.usda.gov/rbs/farbill/
- Dun and Bradstreet Universal Numbering System is required for Federal grants. To obtain a DUNS number, call the self-request line at: 1-866-705-5711

Table of Contents

- Include page numbers for each component of the application

Project Summary

- Title
- Applicant eligibility
- Project eligibility
- Operation description
- Financial information for size determination

Financial Information

- Required for projects not following the simplified application method.
 - Use simplified application when eligible project costs are less than \$200,000
- Historical financial statements (3 years)
- Pro forma financial statements (3 years)
- Demonstration of financial need

Matching Funds

- The funds needed to pay for the portion of the eligible project costs not funded or guaranteed by the Agency through a grant or guaranteed loan under this program. Matching funds can not include grants from any Federal grant program.

Matching Funds

- Qualifying in-kind contributions
 - Third-party real or personal property or services contributed by a third party that benefits the project.
 - Limited to 10 percent of the matching fund requirement.

Matching Funds

- Non-qualifying in-kind contributions
 - Applicant in-kind cannot be used to meet the matching fund requirement.
- Passive third-party equity contributions are acceptable for renewable energy systems

Self-Evaluation Score

- Will be discussed in greater detail later in the presentation

Technical Report

- Qualifications of project team
- Agreements, permits and certifications
- Energy assessment
- Design and engineering
- Project development schedule
- Project economic assessment
- Equipment procurement
- Equipment installation
- Operations and maintenance
- Dismantling and disposal of project components

Business-Level Feasibility

- Independent feasibility study is required for renewable energy projects with costs exceeding \$200,000

Technical Review

- Technical report review of large projects completed by National Renewable Energy Laboratory in Golden, CO



Common Application Errors

1. Failure to include the application forms.
2. Use of incorrect application forms.
3. Requesting a grant greater than the permitted 25% of eligible project costs.
4. Failure to meet the basic eligibility requirements. (Citizenship, rural area agricultural producer, small business)

Common Application Errors

5. Lack of technical information for the project.
6. Failure to verify matching funds.
7. Inadequate financial information on pay-back period, cost effectiveness or percent of leveraged funds.
8. Insufficient information to determine the feasibility of the proposed system.

Project Scoring

1. Quantity of energy replaced (self use), produced, saved, or generated (for sale)
 - Determined by energy audit or assessment
 - Additional points will be awarded if the total eligible project cost is less than \$50,000 and an energy audit is conducted

Project Scoring

2. Environmental Benefits

- Points awarded if the project contributes to the environmental goals and objectives of other Federal, State or local programs

Project Scoring

3. Commercial Availability

- Technology is commercially available and replicable
- Additional points if it is commercially available plus at least a 5 year warranty

Project Scoring

4. Technical merit score – completed by NREL or Rural Utilities Service staff for smaller projects
5. Readiness (Matching Funds)

Project Scoring

6. Small agricultural producer/very small business

- Ag producer with less than \$600,000 in product sales in the prior year
- Ag producer with less than \$200,000 in product sales or a very small business receives additional points

(Very small business is a business with fewer than 15 employees and less than \$1 million in annual receipts.)

Project Scoring

7. Simplified application/low cost projects
 - Simplified application process and/or total eligible project costs less than \$200,000
8. Previous grantees and borrowers
 - Non-recipient for 2 previous fiscal years

Project Scoring

9. Return on investment

- Points awarded up to a 10 year ROI
- The estimated return on investment for energy efficiency projects is calculated by dividing the total project cost by the project net annual energy savings of the energy efficiency improvements.

Energy Efficiency Example

- The energy assessment determines that replacing pumps, electric motors, additional insulation, and improved lighting will result in 28% reduction in electricity usage or \$6,000 (based on the local cost of energy)
 - Project cost - \$45,000
 - \$45,000 is divided by \$6,000 = 7.5 years

Environmental Analysis

- All projects receiving federal grants are subject to the provisions of the National Environmental Policy Act (NEPA).
- The USDA will perform the NEPA review
- This review can be completed prior to submission of the full application. Time is critical.

Construction Planning

- Contract method for projects greater than \$200,000 (4280.115)
- Simple contract method for projects less than \$200,000 (4280.115)

Loan Guarantees

- Available to both energy efficiency and renewable energy projects
- Guaranteed loan funding through your local lender.
- Loan amounts up to 50% of eligible project costs
- Minimum loan is \$5,000
- Maximum loan is \$10 million
- 1% guarantee fee and 1/8% annual renewal fee

Loan Guarantees

- 85% guarantee for loans less than \$600,000
- 80% guarantee for loans between \$600,000 - \$5,000,000
- 70% guarantee for loans between \$5 and \$10 million

Can be combined with an additional loan guarantee program for up to a \$35 million package!!!



Helpful Hints “Surviving the Grant Process”



Helpful Hints

- Treat the requirements of the regulation literally: include everything that it requires.
- Include only information that adds value. Longer is not better.

Helpful Hints

- Use available Resources
 - Use any helpline or templates USDA offers
 - Ask us (USDA) questions.
- Recognize extent of commitment
 - Majority of projects require a long term commitment
 - Start as early as you can
 - You cannot complete this process in a day or a week
 - Allow yourself at least a month to complete the application process

Helpful Hints

- Look ahead
 - Scoring
 - Evaluation criteria are important in getting selected. Tailor your project to meet them.
 - Know what questions you need to answer
 - Forms
 - Find out what forms you need, get them and make copies
 - Don't underestimate the amount of time needed.
 - Submitting the application
 - Be cognizant of deadlines and submission procedures
 - Budget time and dollars

For More Information

- **Molly K. Hammond**
 - Phone: 217-403-6210
 - Email: molly.hammond@il.usda.gov
- **Websites**
 - www.rurdev.usda.gov/farmbill/index.html
 - www.farmenergy.org



Website



- Program Overview
- Solicitation
- USDA Contacts
- Application Forms
- Tools and Resources
 - Sample Application
 - Technical Guidance



Committed to the future of rural communities.

www.rurdev.usda.gov/rbs/farmbill/



Questions?



Committed to the future of rural communities.