Wind Powering America: An Update on Section 9006: USDA Renewable Energy Grant Program

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Outline

• Background/Summary
• Basic Eligibility
• Program Changes
• New Opportunities
• Scoring
What is the Section 9006 Program?

• Created in the 2002 Farm Bill as a U.S. Department of Agriculture program
• Program designed to assist farmers, ranchers and rural small businesses with renewable energy and energy efficiency projects
• Provides grants and loan guarantees for rural renewable energy and energy efficiency projects
• Created as a 5 year program, with funding of about $23 million per year.

Section 9006: Expanding Appeal

2005 Applications

Legend

<table>
<thead>
<tr>
<th>1-9</th>
<th>10-24</th>
<th>25-49</th>
<th>50+</th>
<th>Applications</th>
<th>Funds Requested</th>
<th>Project Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>388 in 43 states</td>
<td>$476,841</td>
<td>$1,036,450,150</td>
</tr>
</tbody>
</table>


American Samoa, Guam

2005 Applications
Section 9006: Increasing Impact

- $67M in funds has been awarded to 437 projects by agricultural producers and rural small businesses in 37 states
- Over $700M in total leveraged project costs
- Enormous contribution to community projects
- Utility scale wind has been big winner

Section 9006: Impact on Wind

- Considerable boost to community-scale wind
  - $27M in grant funds for wind projects over first three years
  - Leveraged more than $240M in small and community-scale wind projects
    - 95 Community scale projects
    - 28 Small wind projects
**2005 Wind Specifics**

### Overall Applications Received

<table>
<thead>
<tr>
<th></th>
<th>Agricultural Producers</th>
<th>Small Business</th>
<th>Total Grant Funds ($)</th>
<th>Total Project Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Wind</td>
<td>9</td>
<td>9</td>
<td>443,310</td>
<td>1,714,944</td>
</tr>
<tr>
<td>Large Wind</td>
<td>0</td>
<td>67</td>
<td>23,624,648</td>
<td>422,051,020</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong></td>
<td><strong>76</strong></td>
<td><strong>24,067,958</strong></td>
<td><strong>423,765,964</strong></td>
</tr>
</tbody>
</table>

### Applications Awarded Funds

<table>
<thead>
<tr>
<th></th>
<th>Agricultural Producers</th>
<th>Small Business</th>
<th>Total Grant Funds ($)</th>
<th>Total Project Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Wind</td>
<td>2</td>
<td>4</td>
<td>101,157</td>
<td>404,631</td>
</tr>
<tr>
<td>Large Wind</td>
<td>0</td>
<td>43</td>
<td>12,432,626</td>
<td>128,700,571</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2</strong></td>
<td><strong>47</strong></td>
<td><strong>12,533,783</strong></td>
<td><strong>129,105,202</strong></td>
</tr>
</tbody>
</table>

### Issues

- In Summer 2005, USDA published a regulation for the Section 9006 program
  - This regulation governs the program into the future
  - No more year-to-year changes in program
  - Added several new opportunities
- Increasing competitiveness for grants
  - Scoring is critical
  - Loan Guarantees will reduce $ for grants
  - Multiple solicitations would increase cycle competitiveness
- Recent concerns
  - Geographic diversity
Basic Eligibility

Who is Eligible?

- Rural small businesses and agricultural producers can apply
  - Rural – Any area other than a city of town with population over 50,000. Cannot be in urbanized area adjacent to such a city or town.
  - 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
  - Small Business – A private entity including a sole proprietorship, partnership, corporation, cooperative (including most Rural Electric Cooperatives), and certain other utilities.
    - Must meet SBA size standards for small business [www.sba.gov/size/index/tableofsize.html](http://www.sba.gov/size/index/tableofsize.html)
    - Non-profits excluded

* Actual definitions available in 7 CFR Part 4280
Who is Eligible?

• Other requirements for eligible applicants:
  – Must demonstrate financial need for grant applications
  – If individuals, must be U.S. citizens or legal permanent residents of the U.S.
  – If an entity, must be at least 51 percent owned by individuals who are either U.S. citizens or legal permanent residents of the U.S.

What Projects are Eligible?

• Any renewable energy and energy efficiency project as defined in law.
• Requirements for eligible projects:
  – Must be located in a rural area.
  – Must be for a pre-commercial or commercially available (no R&D)
  – Must be technically feasible and replicable.
• Grants request must not exceed 25% of project costs
  – Renewable Energy: Grant requests from $2,500 - $500,000
  – Energy Efficiency: Grant requests from $2,500 - $250,000
• Guarantee Loans cannot exceed 50% of the project costs. Maximum loan guarantee of $10 million.
• Combined loan guarantees and grants are available, but grants still limited to above limits and total of combined cannot exceed 50% of project
• The applicant must be the owner of the project and control the operation and maintenance of the proposed project.

Specific terms available in 7 CFR Part 4280
Program Changes for Section 9006

Changes Affecting Wind Projects

- Financial Need
  - Demonstrated financial need based on applicant’s financial resources or the project’s cash flow
- Applicant Eligibility
  - Headquarters of applicant may be in a rural or non-rural location
- Project Eligibility
  - Third-parties under contract may control revenues and expenses
  - Passive third-party equity contributions are acceptable and exempt from personal and corporate guarantees
Changes Affecting Wind Projects

- Guaranteed Loans
  - $5,000 minimum
  - $10 million maximum
  - Designed for larger projects

- Application Process
  - Rolling applications
    - Guaranteed Loans – continuous processing
    - Grant funds awarded competitively 2-4 times/year
  - Simplified for small projects (<200K)

- Construction
  - Owners can do installation, if qualified and overseen by other contractor. Not eligible costs, but allowable in project.

New Opportunities for Large and Small Projects
Guaranteed Loans

- Opens Section 9006 to much larger projects
  - No need to demonstrate financial need
- Guaranteed Loans
  - Processed continuously throughout year
  - First in, first out
  - Can combine with 9006 grant funds
  - Make projects more attractive to lenders, could improve loan terms
  - Only 50% of project costs can be guaranteed, but better loan terms than similar programs.
- Application requirements similar to grants, but lender submits application

Simplified Application Process

- New “streamlined” process for small projects
- Total cost must be under $200K
- Simplified Application Process (SAP)
  - Historical or pro forma financial statements not required
  - Financial need certification
  - Plans for worksheet
  - No feasibility study required for RE projects
- Priority scoring for projects that apply under this new process, so small projects will get preference in scoring
Scoring

Competitive Program

• Increasingly competitive program
• In FY 2003, not enough eligible projects to award all funds
• In FY 2005, almost 400 projects requesting $60M in funds.
  – 156 projects awarded $23M in funds
  – Scoring was critical in FY 2005 to whether projects received grants
• Program will continue to gain popularity
  – Loan guarantees expected to take up to half of the available funding in future years – less for grants
  – Scoring is critical
Scoring Criteria

- Quantity of energy produced
- Environmental benefits
- Commercial availability
- Technical merit
- Readiness (grants only)
- Small agricultural producer/Very small rural business
- Simplified Application
- Previous grantees and borrowers
- Return on Investment
- Loan rate (guaranteed loans only)

Applicant and the Score Sheet

- Applicant must self-score project
  - RD staff will verify
  - Documentation is critical
- Technical reviewer provides:
  - Technical merit score
  - Recommendations on
    - Quantity of energy
    - Commercial availability
    - Return on investment
Quantity of Energy

- Energy Replacement
  - 0 – 25%  
  - 26 – 50%  
  - >50%  
  - 5 points  
  - 10 points  
  - 15 points
  
  - If estimated energy produced equals more than 150% of energy requirements, project is scored as a “generation” project

- Energy Generation
  - 10 points

Environmental Benefits

- Purpose of the proposed system contributes to the environmental goals and objectives of other Federal, State, or local programs
  - 10 points

- Must provide supporting documentation
  - Official letter mentioning your project by name, and affirming that project contributes to goal
Commercial Availability

- Proposed system is currently available and replicable
  - 5 points
- Additionally, a 5-year or longer warranty included
  - 10 points

Pre-Commercial: at least one commercial unit in operation for at least 1 full year in the U.S.

Technical Merit

<table>
<thead>
<tr>
<th>Qualifications of the project team</th>
<th>10</th>
<th>%</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agreements and Permits</td>
<td>5</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Energy or Resource Assessment</td>
<td>10</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Design and Engineering</td>
<td>30</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Project Development Schedule</td>
<td>5</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Project Economic Assessment</td>
<td>20</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Equipment Procurement</td>
<td>5</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Equipment Installation</td>
<td>5</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>5</td>
<td>%</td>
<td>Score</td>
</tr>
<tr>
<td>Decommissioning</td>
<td>5</td>
<td>%</td>
<td>Score</td>
</tr>
</tbody>
</table>

35 pts possible – this is approx. 30% of total score
Readiness (grants only)

- Applicant has written **commitments**, prior to the Agency receiving the complete application, from source(s) confirming commitment
  
  50 - 74% of necessary funds  
  75 – 99% of necessary funds  
  100% of necessary funds

- 5 points  
- 10 points  
- 15 points

- Wording of letter important

Small Ag Producer/Very Small Business

- Applicant is an agricultural producer producing agricultural products with a gross market value of
  
  < $600K  
  < $200K or defined as a very small rural business

- 5 points  
- 10 points

- Less than 15 employees and less than $1M in annual receipts
Simplified Application

• Applicant is eligible for and uses the simplified application process or if the project has total eligible project costs of $200K or less
  – 5 points
• Priority scoring for smaller projects

Previous Grantees and Borrowers

• Applicant has not been awarded a grant or loan under this program within the 2 previous Federal fiscal years
  – 5 points

Previous recipients must make satisfactory progress toward completion of previously funded projects before it/they will be considered for subsequent funding
Return On Investment

- Proposed project will return the cost of investment in
  - less than 4 years: 10 points
  - 4 to 7 years: 4 points
  - 8 to 10 years: 2 points

Loan Rate (guaranteed loans only)

- Rate of loan is below the Prime Rate (as published in Wall Street Journal) plus 1.5%: 5 points
- Rate of loan is below Prime Rate (as published in Wall Street Journal) plus 1%: 10 points
Questions?

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