

Basics of the Rural Energy for America Program (REAP)

**(formerly Renewable Energy (RE) &
Energy Efficiency (EE) Program)**



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REAP Program

A program to help *agricultural producers* and *rural small businesses* purchase renewable energy systems and make energy efficiency improvements.



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Who is eligible to apply for funding?

- *Agricultural producers* directly engaged in ag production ($\geq 50\%$ of their gross income)
- *Rural small businesses* that meet the SBA Size Standards
- Project must be located in a *rural area*
- Financial need certification (additional documentation and RD determination may be needed on a case by case basis)
- Non-profit organizations and public entities *are excluded*



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Actual Definitions available in 7 CFR Part 4280

Formula for 50% of Ag Income

Gross Farm Income

Total Income + Total Farm & Business Expenses



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SBA Size Standards

<http://www.sba.gov/services/contractingopportunities/sizestandardstopics/index.html>

<i>NAICS Codes</i>	<i>NAICS U.S. Industry Title</i>	<i>Size standards in millions of dollars</i>	<i>Size standards in number of employees</i>
<u>Subsector 111</u> – Crop Production			
<u>111110</u>	Soybean Farming	\$0.75	
<u>Subsector 221</u> – Utilities			
<u>221119</u>	Other Electric Power Generation	Total electrical output for the proceeding fiscal year did not to exceed 4 million megawatt hours	
<u>Subsector 325</u> – Chemical Manufacturing			
<u>325193</u>	Ethyl Alcohol Manufacturing		1,000
<u>Subsector 445</u> – Food and Beverage Stores			
<u>445110</u>	Supermarkets and Other (except Convenience Stores) Stores	\$23.0	



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Excerpts from SBA Table of Small Business Size Standards

What types of projects are eligible?

- Energy Efficiency (EE)
- Renewable Energy (RE)

Examples:

- Solar, small and large
- Wind, small and large
- Biomass (ethanol, biodiesel, solid fuel)
- Anaerobic Digesters
- Hydrogen



Energy Efficiency (EE) Examples

- Building Envelope
- Lighting
- HVAC Systems
- Water Heating
- Power Systems
- Refrigeration
- Grain Drying and Curing
- Irrigation
- Fans and Blowers
- Compressors
- Pumps

EE Projects must have the previous 12 months history of energy use in order to measure savings from the project improvements.



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What projects are eligible?

- Purchase & install **RE** systems or make **EE improvements**
- Commercially available & replicable technology
(No Research & Development)
Some pre-commercial technology allowed for projects >200k
- Technical Merit and located in a **rural area**
- Sufficient revenues for O&M, Management & Debt Service
- Applicant must own the project and control the revenues and expenses, including O&M



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

Eligible uses

- Post-application purchase and installation of equipment (*except agricultural tillage equipment & vehicles*)
- Post-application construction or project improvements (*except residential*)
- Some possible pre-application costs allowed:
 - Energy audits or assessments
 - Permit fees and Feasibility Studies
 - Professional service fees (*except application preparation*)



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Only costs identified in the Energy Audit for energy efficiency improvements are allowed (EE)

Eligible uses (continued)

- *Working capital* (*Guaranteed Loan only*)
- *Land acquisition* (*Guaranteed Loan only*)



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Ineligible project costs include any costs not identified above as eligible costs

Eligible uses (continued)

1. Feasibility studies can be a stand alone fundable project as well as reimbursable as part of a larger project.
2. The combination loan and grant – finance up to 75% of a project (25% grant and 50% g-loan) or 75% with a guaranteed loan only.
3. Maximum energy guaranteed - up to \$25 million.
4. Grants for “Energy Audit” and “Renewable Energy Development” assistance. (separate REAP programs with separate notices)



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Ineligible project costs include any costs not identified above as eligible costs

What size of grant is available?

- Not exceed 25% of total eligible project costs
- Minimum grant request
 - Renewable energy system - **\$2,500**
 - Energy efficiency improvements - **\$1,500**
- Maximum grant request
 - Renewable energy system - **\$500,000**
 - Energy efficiency improvements - **\$250,000**



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*Maximum grants per applicant per fiscal year is
\$750,000*

What size of Guaranteed Loan (GL) is available?

- Loan not exceeding 50% of total eligible project costs
- Maximum combination GL and grant cannot exceed 75% of total eligible project costs
- Minimum GL request is \$5,000 (*less grant amount*)
- Maximum GL request is \$25 million

Can combine with up to \$25M of Business and Industry GL for larger projects



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What Guaranteed Loan (GL) rates and terms are available?

- Interest rate negotiated between lender and applicant
- Real estate must not exceed 30 years
- Machinery and equipment must not exceed 20 years or useful life
- Combined loans of real estate and equipment must not exceed 30 years
- Working capital must not exceed 7 years



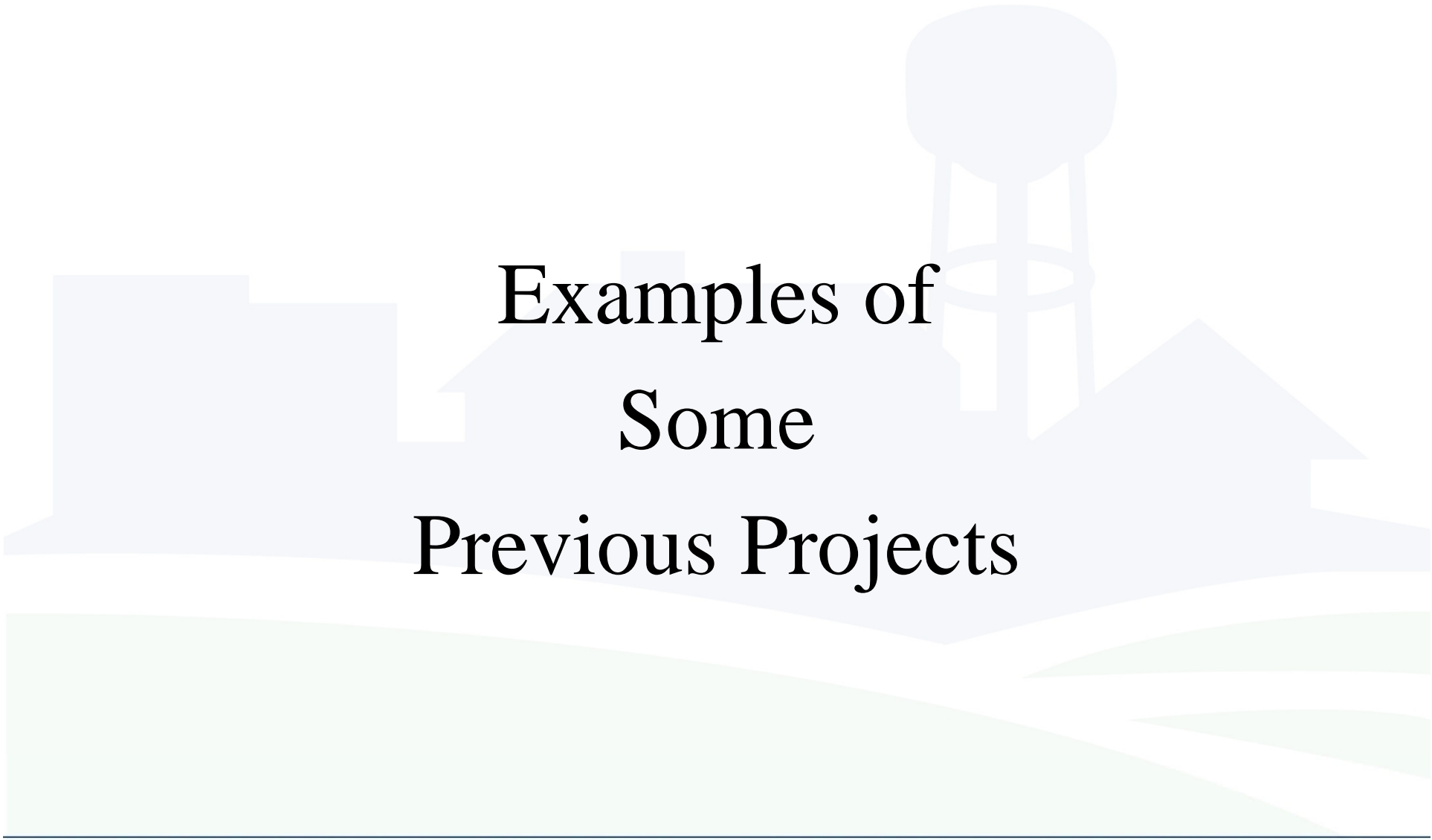
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Anticipated For FY '10 REAP

- Guaranteed loan fee of 1 percent
- Guaranteed loan annual renewal fee of 1/4 of 1%
- Applications will be accepted on an ongoing basis
- 85% loan guarantees



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Examples of Some Previous Projects



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Project information

- Energy efficiency improvements
 - Replaced old boiler with 3 new high efficiency heating units
- Estimated total eligible project costs: \$20,000
- Grant amount: \$5,000 (25%)
- Projected energy savings: > 40%
- Realized energy savings first 12 months: > 66%
- Anticipated Return On Investment (ROI): 8-11 years
- ROI being realized first 12 months: 5-6 years



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Project information

- Energy efficiency improvements
 - Replaced refrigeration cases/freezer with 3 new higher efficiency units
- Estimated total eligible project costs: \$41,132
- Grant amount: \$10,283 (25%)
- Anticipated Return On Investment (ROI):
4.32 years



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Some Projects Funded 2003-2006

- **06-Hayes Sight and Sound, Inc.**
 - HVAC and lighting
 - \$26,000 grant
 - \$26,000 EE GL
 - \$52,000 B&I GL
- **06-White's KingCo, Inc.**
 - Refrigeration and lighting
 - \$48,838 grant
 - \$48,830 EE GL
- **05-Epic Homes of Kansas, Inc.**
 - HVAC
 - \$5,000 grant
- **05-Luray Grocery**
 - Refrigeration
 - \$9,673 grant
- **04-Community General Store**
 - Refrigeration
 - \$6,935 grant
- **05-T and T Foods, Inc.**
 - Refrigeration
 - \$11,000 grant
- **03-Mackinson Foods, Inc.**
 - Refrigeration, HVAC, insulation
 - Lighting, efficient doors
 - \$29,075 grant



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Some Projects Funded 2006

- **Lipp Properties**
 - (2) 4 kW wind turbines
 - \$20,537 grant
- **M&M Market**
 - Refrigeration and energy efficient entry door
 - \$10,283 grant
- **Cates Carquest**
 - HVAC
 - \$4,744 grant
- **Satanta Grocery**
 - Refrigeration, lighting and insulation
 - \$23,488 grant
- **27th and Hall Laundry**
 - (2) hot water heaters
 - \$3,257 grant
- **Cougar Custom Boats**
 - Water source heat pumps
 - \$49,683 grant



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Some Projects Funded 2007

- **CrossRoads Lumber Co., Inc.**
 - Heating and lighting
 - \$14,950 grant
- **Thomas E. Wells, Jr.**
 - Insulation (roof)
 - \$3,819 grant
- **Healy Biodiesel, Inc.**
 - Biodiesel
 - \$32,375 grant
- **Ivan L. Bohl**
 - Irrigation (flood to center pivot)
 - \$33,343 grant
- **Agency One**
 - Lighting, windows & insulation (walls/ceiling)
 - \$2,270 grant
- **Caper's Café & Bakery, LLC**
 - HVAC
 - \$3,678 grant
- **Stafford Development, Inc.**
 - Air conditioning
 - \$3,239 grant
- **Village Road, LLC**
 - Waste oil burner
 - \$7,872 grant



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Some Projects Funded 2007

- **Eagle Farms Energy, Inc.**
 - Biodiesel
 - \$41,835 grant
 - \$41,835 EE GL
 - \$83,670 B&I GL
- **H&C Farms, Inc.**
 - Irrigation (engines/motors)
 - \$15,080 grant
 - \$15,080 EE GL
- **CKG, Inc.**
 - Irrigation (flood to center pivot)
 - \$11,875 grant
- **Carlsons' Grocery, Inc.**
 - Refrigeration and lighting
 - \$20,759 grant
 - \$20,769 EE GL
 - \$41,518 B&I GL
- **Becklin, Inc.**
 - Solar Thermal
 - \$5,500 grant



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When are Grant Applications Due?

- Anticipate in FY 2010

**** (APPLY NOW) ****

Anticipate funding soon !!!!!

Some types of projects may receive priority, such as:

- Combination loan & grant projects
- Smaller grant only projects
- Larger grant only projects (probably funded last if funds are available)
- More information and assistance available from your Kansas RD Area Specialist (*See last two slides for contact info*)



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Websites

- **Current solicitation, forms, and program information**

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

- **Other supportive programs**

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



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RD Contacts for Kansas

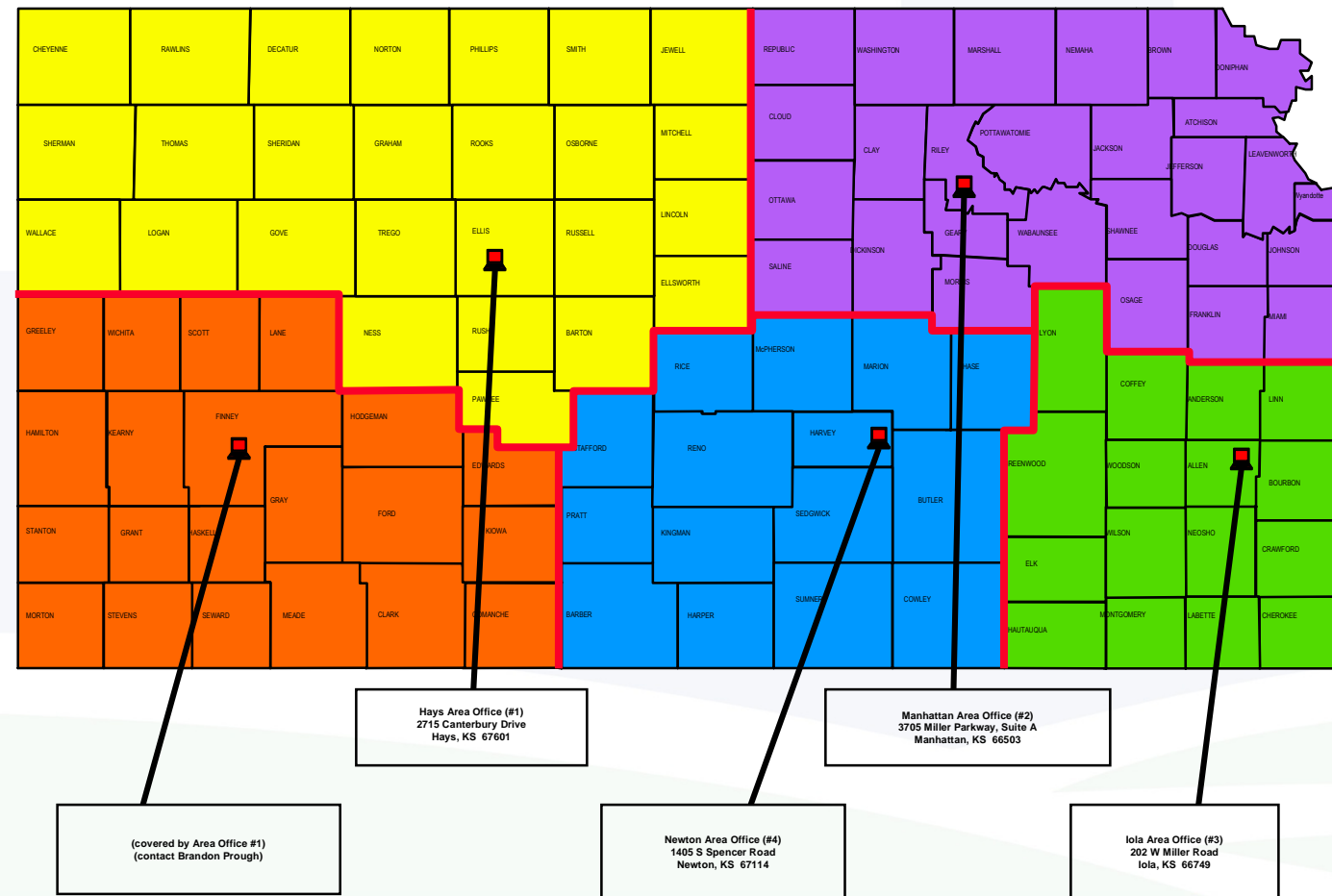
<p>Area 1: USDA Rural Development 2715 Canterbury Drive Hays, Kansas 67601</p>	<p>Brandon Prough, Area Specialist Phone: (785) 628-3081 Fax: (785) 625-6065 Email: brandon.prough@ks.usda.gov</p>
<p>Area 2: USDA Rural Development 3705 Miller Parkway Manhattan, Kansas 66502</p>	<p>Larry Holz, Area Specialist Phone: (785) 776-7582 Fax: (785) 539-2733 Email: larry.holz@ks.usda.gov</p>
<p>Area 3: USDA Rural Development 202 W. Miller Road Iola, Kansas 66749</p>	<p>Katie Casper, Area Specialist Phone: (620) 365-2901 Fax: (620) 365-5785 Email: katie.casper@ks.usda.gov</p>
<p>Area 4: USDA Rural Development 1405 South Spencer Rd Newton, Kansas 67114</p>	<p>Douglas Clary, Area Specialist Phone: (316) 283-0370 Fax: (316) 283-2379 Email: douglas.clary@ks.usda.gov</p>
<p>Area 5: USDA Rural Development 2106 E. Spruce Garden City, KS 67846</p>	<p>currently covered by Area Office 1 (please contact Brandon Prough)</p>
<p>RD State Office: Business & Energy Programs 1303 SW First American Place, Ste 100 Topeka, KS 66604-4040</p>	<p>David Kramer, Acting Bus. Programs Director Phone: (785) 271-2730 Fax: (785) 271-2771 Email: david.kramer@ks.usda.gov</p>



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Area Offices - USDA Rural Development Kansas (2008)



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