

USDA / Purchase Area Development District

REAP

Rural Energy for America Program



What is the **REAP** Program?

- Formally titled Section 9006 Renewable Energy/Energy Efficiency Program
- Created as a U.S. Department of Agriculture program.
- Program designed to assist farmers, ranchers and **rural small businesses** with energy projects
- This program provides grants and guaranteed loans for renewable energy systems and energy efficiency improvement projects
- Created as a five year program / Extended with the 2008 Farm Bill.
- Congress has funded the program at approximately \$23 Million per year for the first five years.



Farm Bill Definitions

- Renewable Energy – Energy derived from:
 - biomass, wind, solar, or geothermal source,

Or

- hydrogen derived from biomass or water using one of the above energy sources.



Biomass, Bioenergy

Bioenergy: A renewable energy system that produces fuel, thermal energy, or electric power from a biomass source, other than an anaerobic digester project.



Biomass, Anaerobic Digester

A renewable energy system that uses animal waste and other organic substrates to produce thermal or electrical energy via an anaerobic digestion

– Digesters

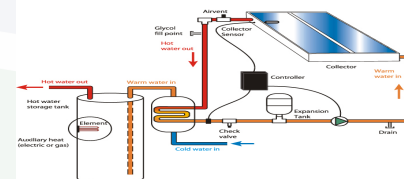
- **Small (500 head, 150kW)**
- **Large (3500 head, 750kW)**



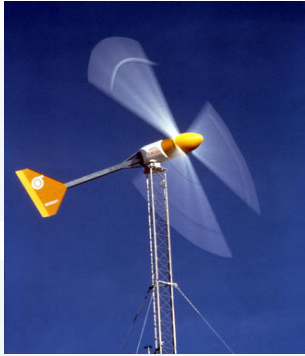
Solar Energy



Active Indirect System



Wind Energy



Hydrogen

- A renewable energy system that produces hydrogen or, a renewable energy system that uses mechanical or electric power or thermal energy from a renewable resource using hydrogen as an energy transport medium.



Energy Efficiency Improvement –

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



Energy Efficiency Improvements Grain Bin Replacement

- \$12,499 Grant for a \$49,997 Project.
- Replace two 30 year old corn single burner dryer units with a new shivers system.
- Energy savings per year stands at 27.09%



Energy Efficiency Improvements Dairy Ventilation System

\$50,000 Grant with a
\$50,000 9006
Guaranteed Loan
on a \$200,000
project.



Estimated energy
savings per year
exceeds \$60,000



Energy Efficiency Improvements

Splatters Paintball and Specialties

\$48,563

New HVAC, double pane store front glazing and windows, standard double glazed skylights, and insulation.

Twin City Pack Inc.

\$12,432

Installing Efficient Condensers for Coolers for Meat Packing Plant

Red Lodge Ales Brewing Company

\$26,390

Install radiant water heating system that utilizes both biodiesel and solar energy

Peterson Supermarket, Inc

\$19,260

The project will consist of replacing the dairy, produce and meat cases with new, more efficient cases.



Who is Eligible?

- Rural Small business and agricultural producers can apply (Rural – population < 50,000)
 - Agricultural Producer – An individual or entity directly in the production of agricultural products (including farming or ranching) that gets 50% of their gross income from the operations.
- OR
- Small Business – A private entity including a sole proprietorship, partnership, corporation, cooperative (including most Rural Electric Cooperatives), and certain other electric utilities.
 - Must meet SBA size standards for small Business
www.sba.gov/size/indextableofsize.html
 - Non-profits excluded



Who is Eligible?

- Other requirements for eligible applications:
 - Must demonstrate financial need (Grants)
 - 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 the law.
- Requirements for eligible projects:
 - Must be located in a rural area.
 - Must be for a pre-commercial or commercially available and replicable technology.
 - Must be technically feasible.
 - Must have sufficient revenues to provide for operation and maintenance.
- The applicant must be the owner of the project and control the operation and maintenance of the proposed project.



What Costs are NOT Eligible

- Residential improvements
- Energy efficiency improvements related to NEW construction
- Agricultural tillage equipment
- Vehicles



Grants - Limits

- Grants request must not exceed 25% of project costs
 - **Renewable Energy:**
 - Minimum grant request \$2,500
 - Maximum grant request: \$500,000
 - If request is over \$50,000, regulation requires a project-specific feasibility study prepared by a qualified independent consultant
 - **Energy Efficiency:**
 - Minimum grant request \$1,500
 - Maximum grant request: \$250,000
 - If total project costs are over \$50,000, regulation requires an energy audit. Less than \$50,000, an Energy Assessment is required.



Guaranteed Loans - Limits

- Guaranteed loans are limited to 75% of the total eligible project cost
- Maximum guarantee is \$25 million
- Guaranteed Loan/Grant combination also limited to a total of 75% of the total eligible project cost (25% Grant and 50% Guaranteed Loan).



Maximum Loan Guarantees

- 85% guarantee for loans \leq \$600,000
- 80% guarantee for loans $>$ \$6K $<$ \$5MM
- 70% guarantee for loans $>$ \$5MM
 $<$ \$10MM
- 60% guarantee for loans \geq \$10MM



REAP Rates and Terms

Interest Rates

- Negotiated between lender and borrower
- May be Fixed or Variable

Maximum Loan Terms

- 7 years for Working Capital
- 20 years for Machinery & Equipment
- 30 years for Real Estate



REAP Financial Covenants

Tangible Net Worth

- Renewable Energy – Market trends require a minimum of 40% owner's equity
- Energy Efficiency – a minimum of 25% capital injection.



Applications Deadlines

- Grant Program - **TBD**
 - ▶ Projected April 2009
 - ▶ Projected June 2009
- Guaranteed Loan Program - **TBD**
 - ▶ Projected June 2009



REAP

Mandatory Funding:

\$55,000,000 for FY 2009

\$60,000,000 for FY 2010

\$70,000,000 for FY 2011 and 2012

* 20% of funds will be earmarked for grants
less than \$20,000



Questions?

Purchase Area Development District

Business Lending & Development Services

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