

# USDA - Rural Utilities Service PACE & New ERA Programs

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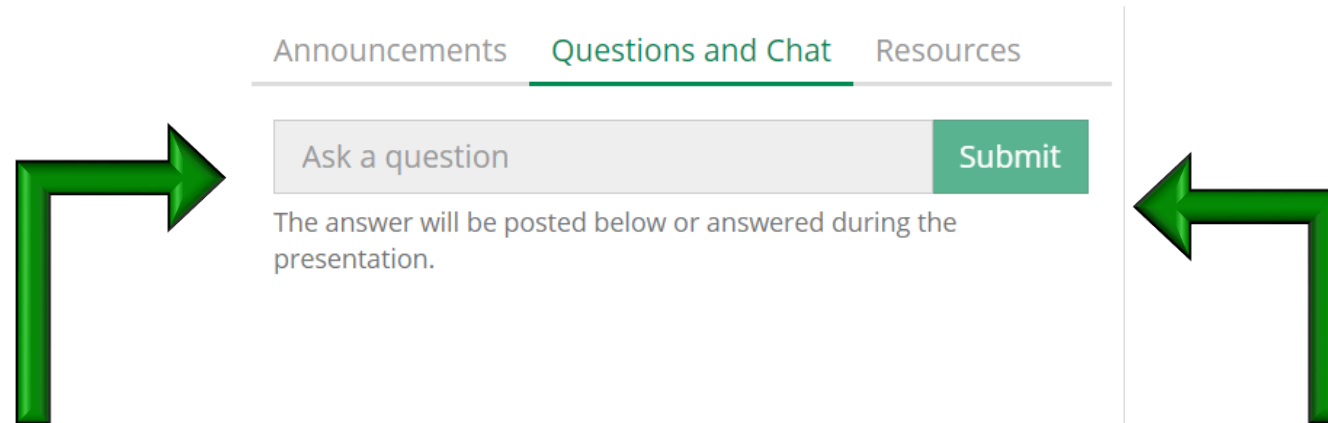
NRECA, Regulatory Affairs Director

Jul 11, 2023

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# Submit Your Questions

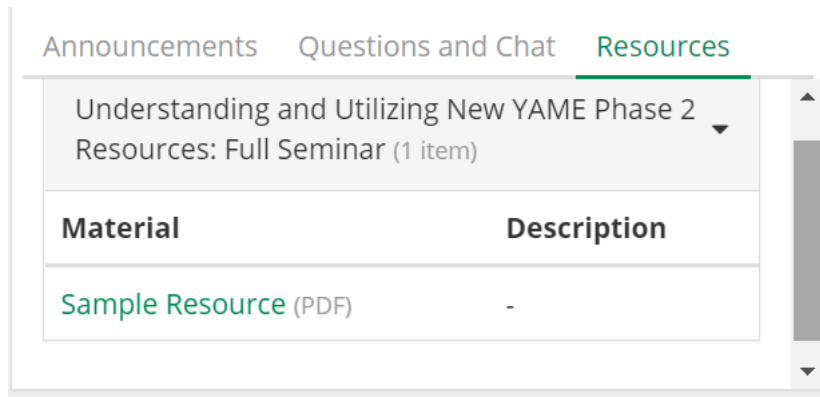


The screenshot shows a web interface with three tabs: 'Announcements', 'Questions and Chat' (which is selected and underlined in green), and 'Resources'. Below the tabs is a form with a text input field containing the placeholder text 'Ask a question' and a green 'Submit' button. Below the input field, there is a line of text: 'The answer will be posted below or answered during the presentation.' Two large green arrows are overlaid on the image: one on the left pointing right towards the input field, and one on the right pointing left towards the 'Submit' button.

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# Investing in Rural America



Clean, affordable,  
reliable energy





# Rural Utilities Service - Inflation Reduction Act

## Two New Programs:

### Powering Affordable Clean Energy (PACE)

IRA Section 22001

### Empowering Rural America (New ERA)

IRA Section 22004

- Largest investment in rural electrification since 1936.
- **BRAND NEW** grant, loan, loan modification, and partial loan forgiveness programs to expand clean, affordable, and reliable energy.
- Reduced pollution, improved health, and lower energy costs for rural America.
- Once in a generation opportunity for economic development and to enhance the quality of life in rural communities.

# Powering Affordable Clean Energy (PACE)

## Program Overview

**Program Goal:** Increase clean energy in rural America and make it significantly more affordable for consumers, especially for energy, distressed, disadvantaged, and Tribal communities, to heat and cool their homes, run their businesses and farms, and power their cars, schools, and hospitals.

**PARTIALLY FORGIVABLE LOANS** for utility-scale clean energy projects – wind, solar, hydropower, biomass, geothermal – including energy storage projects in support of renewable technologies.

**Proposed Timeline/Process:** (2 stage process)

- a) Electronic submission of Letter of Interest – **open July 10, 2023 through September 29, 2023**
- b) LOIs accepted on a rolling basis and evaluated as received
- c) If invited by the Agency, applicant submits full application





# Powering Affordable Clean Energy (PACE)

## Program Details

|  |   |
|--|---|
| <b>Eligible Applicants</b>   | Corporations; States and territories along with their subdivisions and agencies; Municipalities; Utility districts; Cooperatives; Nonprofits; Indian Tribes; Alaska Native, regional, or village corporations; Limited Liability Companies or other for-profit entities. One application from each eligible entity.; the project must produce renewable energy for resale and serve at least 50 percent rural customers   |
| <b>Eligible Activities</b>   | <ul style="list-style-type: none"><li>• Renewable power generation from: wind, solar, geothermal, hydropower, or biomass</li><li>• Storage for renewable energy</li></ul>   |
| <b>Forgiveness Levels:<br/>RUS will initially allocate<br/>a minimum of \$300<br/>million to each category</b> | <p><u>Category 1:</u> Up to 20 percent total loan forgiveness for applicants that meet the minimum requirements;</p> <p><u>Category 2:</u> Up to 40 percent total loan forgiveness if 50 percent or more of the population served by the proposed service area is located within the following areas:</p> <ol style="list-style-type: none"><li>(1) Energy Communities; or</li><li>(2) Distressed or Disadvantaged Communities.</li></ol> <p><u>Category 3:</u> Up to 60 percent total loan forgiveness if:</p> <ol style="list-style-type: none"><li>(1) The proposed service area is located in Puerto Rico, United States Virgin Islands (USVI), Guam, American Samoa or other U.S. territories or Compact of Free Association (COFA) states; or</li><li>(2) The proposed service area consists of 60 percent or more of a Tribal area or serves an area that constitutes a Substantially Underserved Trust Area; or</li><li>(3) The Project is owned by an Indian Tribe, defined by the Federally Recognized Indian Tribe List Act of 1994, including their wholly owned subsidiaries and instrumentalities, or Alaska Native Corporations, including regional or village corporations.</li></ol> |
| <b>Loan and Program size</b>   | \$1 million – \$100 million, inclusive of forgiveness; \$1 billion in funding   |



# Powering Affordable Clean Energy (PACE)

## Program Timelines

| Target Date                       | Activity   |
|-----------------------------------|--|
| May 16, 2023                      | Publication of the PACE NOFO   |
| May 16 – July 7, 2023             | USDA hosts webinars, speaks at conferences, and is available to answer questions   |
| July 10, 2023                     | Opening date for submission of PACE Letters of Interest<br>Letters will be reviewed on a rolling basis   |
| July 2023                         | USDA begins reviews of Letters of Interest and begins invitations for applications<br>USDA will inform applications if they are invited to submit a full application. If so, applicants have 60 days to submit unless otherwise agreed to. |
| September 1, 2023 – December 2025 | PACE awards and announcements are made   |
| September 29, 2023                | Closing date for submission of PACE Letters of Interest  |
| September 30, 2031                | All funds fully disbursed  |

## PACE – Grants.gov

Federal Register  
Notice on July 5 to  
extend the time  
and alter the  
submission method

**DATES:** The Agency will begin accepting LOIs for the PACE Program beginning at 11:59 a.m. Eastern Time (ET) on July 10, 2023, and until 11:59 p.m. ET on September 29, 2023.

**ADDRESSES:** All LOIs must be submitted to RUS electronically at *www.grants.gov*. Additional information and resources are available at *https://www.rd.usda.gov/programs-services/electric-programs/powering-affordable-clean-energy-pace-program*. The Inflation Reduction Act of 2022 funding for Rural Development website is located at *https://www.rd.usda.gov/inflation-reduction-act*.

# Empowering Rural America (New ERA)

## Program Overview

\$9.7 billion in budget authority for the long-term **resiliency, reliability, and affordability** of rural electric systems to achieve the **greatest reduction** in CO<sub>2</sub>, methane, and nitrous oxide emissions.

**Eligibility:** Electric cooperatives that are or have been RUS or REA borrowers, cooperative entities serving a predominantly rural area, or wholly or jointly owned subsidiaries of such cooperatives.

### Activities Supported

- Purchase of renewable energy
- Renewable energy systems
- Zero-emission systems
- Carbon capture and storage systems
- The deployment of such systems
- Energy efficiency improvements to generation & transmission systems of eligible entities
- Any combination of the above

### Permitted Use of Funds

- Grants – maximum 25 percent of project cost
- Loans fixed at 2 percent or at a rate tied to the Federal government's cost of capital; and 0 percent for predominantly distressed, disadvantaged or energy communities
- Refinance debt for a stranded assets at 0 percent interest in certain instances
- Any combination of the above



# Empowering Rural America (New ERA)

## Program Details

|                            |  |
|----------------------------|--|
| Eligible Entities          | Electric cooperatives (or a wholly or jointly owned subsidiary of such electric cooperatives)  |
| Eligible Uses              | Renewable energy, renewable energy systems, zero-emission systems, and carbon capture and storage systems, to deploy such systems, or to make energy efficiency improvements to electric generation and transmission systems.  |
| Process – 2 Stages         | <p>1) Letter of Interest (LOI):</p> <ul style="list-style-type: none"><li>• Electronic submission of Letter of Interest – <b>open July 31, 2023 through August 31, 2023.</b></li><li>• Letter of Interest must meet minimum requirements and will be scored according to the selection criteria.</li><li>• Additional requirements (reliability, resiliency, and affordability)</li></ul> <p>2) Full application:</p> <ul style="list-style-type: none"><li>• High-scoring applicants will be invited to submit a full application.</li><li>• The full proposal must be submitted within 60 days from the invitation to proceed or a mutually agreeable date.</li><li>• RUS reserves the right to negotiate a final package of assistance.</li></ul> |
| Allowable Funding Requests | <p>Applicants can propose assistance from any single product or a combination of the following:</p> <ul style="list-style-type: none"><li>○ Loans to finance the cost of new clean energy projects, at Treasury rate or interest rates as low as 2 percent;</li><li>○ Grant funding up to 25 percent of the total cost of the proposal;</li><li>○ Refinancing of stranded assets at interest rates as low as 0 percent with reinvestment in eligible activities; or</li><li>○ Loans with interest rates as low as 0 percent for projects serving predominantly disadvantaged communities.</li></ul> <p>The Agency can offer an Applicant a financial package different than requested.</p>   |

# Empowering Rural America (New ERA)

## Selection Criteria

### Scoring (maximum of 60 points):

- Annual tons of CO2 equivalent reduced (self-generated or purchased): **up to 30 points**
- Annual tons of CO2 equivalent avoided: **up to 10 pts**
- Percentage increase in renewable or zero-emission energy in the energy mix (owned & purchased): **up to 10 pts**
- Percentage decrease in carbon intensity of the energy mix (owned & purchased): **up to 10 pts**

Score is relative to all applicants in the same category of Total Utility Plant size

Applicants will be provided the Achievable Reduction Tool to calculate greenhouse gas reductions.

Evaluation of criteria in addition to greenhouse gas score includes:

- Consumer benefits for affordability (rate & bills reduced from efficiency)
- Project cost per unit of greenhouse gas reduction
- Project costs relative to program funding
- Geographic distribution of projects
- Efficient use of program funds

# Empowering Rural America (New ERA)

## Application Categories

Applicants will compete in one of three categories based on their 2022 Total Utility Plant value.

- Category 1: Applicants with a total utility plant value **equal to or over \$500 million** – at least 60 percent of funding.
- Category 2: Applicants with a total utility plant value **under \$500M but over \$200M** – up to 20 percent of funding.
- Category 3: Applicants with a total utility plant value **less than \$200M** – up to 20 percent of funding.

### **Joint applications will be considered:**

- Consolidated groups of entities may submit a single Letter of Interest for consideration.
- Financial commitments will be disaggregated unless the group members are willing to accept joint liability.
- Group LOIs compete in the category reflective of the combined value of the group's Total Utility Plant.



# Power Purchase Agreements (PPAs)

Newly released information for New ERA

## Key Principles for PPA Eligibility in New ERA

- PPA must add to your 2022 clean energy baseline.
- New ERA funds must support new clean energy use not already planned and underway.

## Eligibility Terms

- PPA executed after 8/16/22 from either a new or operating asset.
- PPA executed prior to 8/16/22, but construction did not start prior to 8/16/22.
- PPAs for 100% clean energy only.
- Only co-ops can apply and joint ventures must include only eligible borrowers.
- Infrastructure costs related to enabling PPA purchase are eligible.
- Ineligible: PPAs for assets already under construction or operational with an existing PPA, costs incurred prior to obligation, PPA exit fees, or violations of contract terms with G&Ts.



## Implications of Purchasing Power versus Ownership

- Scoring of LOI via GHG impact is same for ownership versus PPA.
- NEPA or BABAA do not apply because PPAs are financing the purchased power, not the construction of an asset.
- PPA cannot include provisions that use PPA payments toward the ultimate purchase of an asset.

# Power Purchase Agreements (PPAs) Continued

Newly released information for New ERA

## Financing Terms

- Up to 20 years using NPV with a 3% discount rate.
- Value of the PPA is the estimate of price for the term of the PPA.
  - If it is a range, the minimum amount will be used.
- Grant of up to 25% of the PPA cost over the term of PPA.
- The remaining 75% can either be covered by the Applicant or a loan with New ERA terms (i.e., 2% or as low as 0% if refinancing)
- Project Loans: security derived from the pledged value of an underlying asset and additional credit support may be required.
- System finance: security is derived from the assets under a mortgage or indenture.
- Funds will be placed into a Deposit Account Control Agreement (DACA) account. Payments will be made to the co-op for expenses related to the capacity and/or energy charges under the PPA.





## *Would New ERA PPA support apply IF:*

I have an existing wind PPA that expires in 2024. Can I use New ERA funding to extend the PPA or sign a new one?

- You can sign a new PPA for this project if it *expands* the use of clean energy and the existing PPA definitively ends, provided the application meets other requirements of the funding notice, such as creating consumer benefits.

I signed a PPA in 2019 for a solar + battery project but construction has not commenced.

- Yes, because construction has not started.

I want to partner with a developer through a joint venture (JV) whereby they will develop a wind plant and we will be the sole off-taker of that power.

- If the JV is not a co-op, then the JV is not eligible to borrow under New ERA.

I want to purchase wind energy from an existing wind asset. I do not have a current PPA with the wind asset developers. The asset is already operational, and I would like to purchase power from it.

- Yes, this is eligible. The agreement would need to be executed after the date of IRA enactment.

I want to purchase new wind energy via a PPA from an asset that is expected to be completed in 2023. I will be the sole off-taker, but I will not own any of the project. I will just purchase the power.

- Yes, it does not matter when the asset is completed or when it began as long as it is a new PPA executed after August 16, 2022.



# Stranded Assets

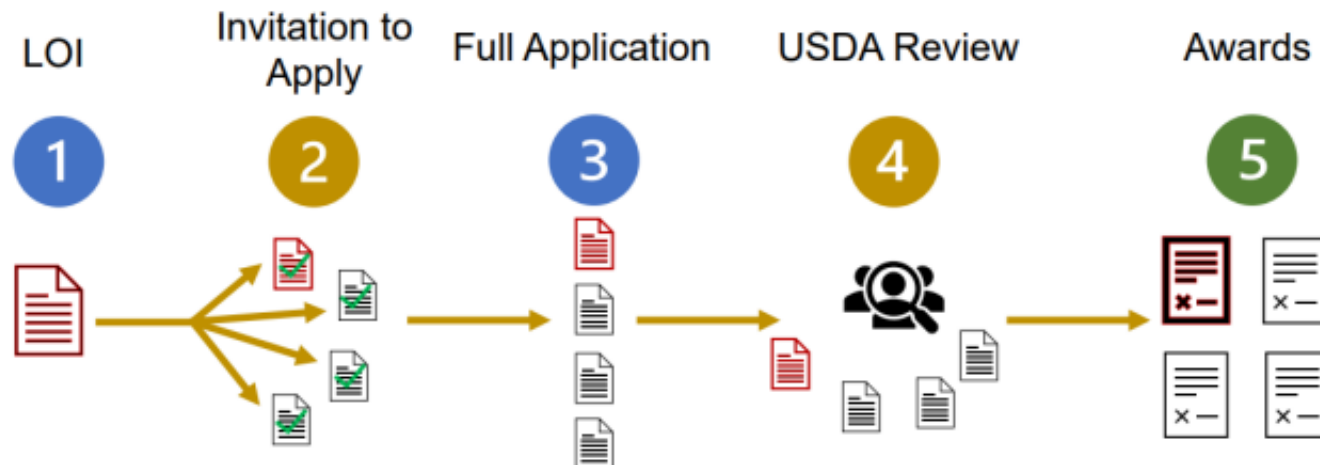
A sample stranded assets calculator with notes can be found on the RUS IRA website

| Stranded Investment Calculation   |                 |
|---|-----------------|
| Stranded Asset Value  | \$1,000,000,000 |
| Stranded Asset Remaining Life Once Asset is Retired (Years)   | 15              |
| Stranded Asset Loan Interest Rate   | 5%              |
| Discount Rate   | 3%              |
| Loan Payment Per Year   | 12 (Monthly)    |
| Loan Total # Of Payments  | 180             |
| Loan Period Payment   | \$7,907,936     |
| Stranded Asset Total Loan Payment   | \$1,423,428,528 |
| NPV Stranded Asset Total Loan Payment With Monthly Compounding Per Year, 15 Years   | \$913,644,607   |
| NPV Stranded Asset Value With Monthly Compounding Per Year, 0% Financing, 30 Years  | \$411,986,760   |
| NPV Stranded Asset Total Payment - NPV @ 0%   | \$501,657,847   |
| Minimum Eligible Clean Energy Investment (\$1 more)   | \$501,657,848   |
| Eligible Grant Amount (25% of Min. Clean Energy Investment)   | \$125,414,462   |
| Remaining Balance Eligible For Loan (75% of Min. Eligible Clean Energy Investment) at: (a) 0% (b) 2%  | \$376,243,386   |
| Note: This is being provided as a sample to potential IRA applicants. Any request for IRA funding related to stranded assets will need to be reviewed by RUS. |                 |

# Joint Application Models

Joint Application Models available on the IRA website:

- Consolidated LOI Model with Disaggregation
- Consolidated LOI Model Joint and Several Liability
- LOI Model for Single Applicants



# Empowering Rural America (New ERA)

## Program Timelines

| Target Date                   | Activity   |
|-------------------------------|--|
| May 16, 2023                  | Publication of the New ERA NOFO  |
| May 16 – July 31, 2023        | USDA hosts webinars, speaks at conferences, and is available to answer questions   |
| July 31, 2023                 | Opening date for submission of New ERA Letters of Interest   |
| August 31, 2023               | Closing date for submission of New ERA Letters of Interest   |
| September 2023                | USDA reviews, scores, and ranks submitted Letters of Interest  |
| October – November 2023       | USDA invites competitive New ERA applications to file a full application<br>Once applicants are invited to submit a full application, they have 60 days to do so unless otherwise agreed to with USDA. |
| December 2023 – December 2026 | New ERA awards and announcements are made  |
| September 30, 2031            | All funds fully disbursed  |



# Key Resources



USDA Rural Development IRA page  
<https://tinyurl.com/a6t9467e>



USDA Rural Development Electric Programs  
<https://tinyurl.com/pmmzkm9v>



Sign up for news with GovDelivery  
<https://tinyurl.com/mtdp45me>



Current USDA lending rates  
<https://tinyurl.com/2p9u3wyc>



Register for Sam.gov  
<https://tinyurl.com/2p9y6u9a>

# Contact



RUS Electric Program General  
Field Representative Link:

<https://tinyurl.com/mrfk3brh>

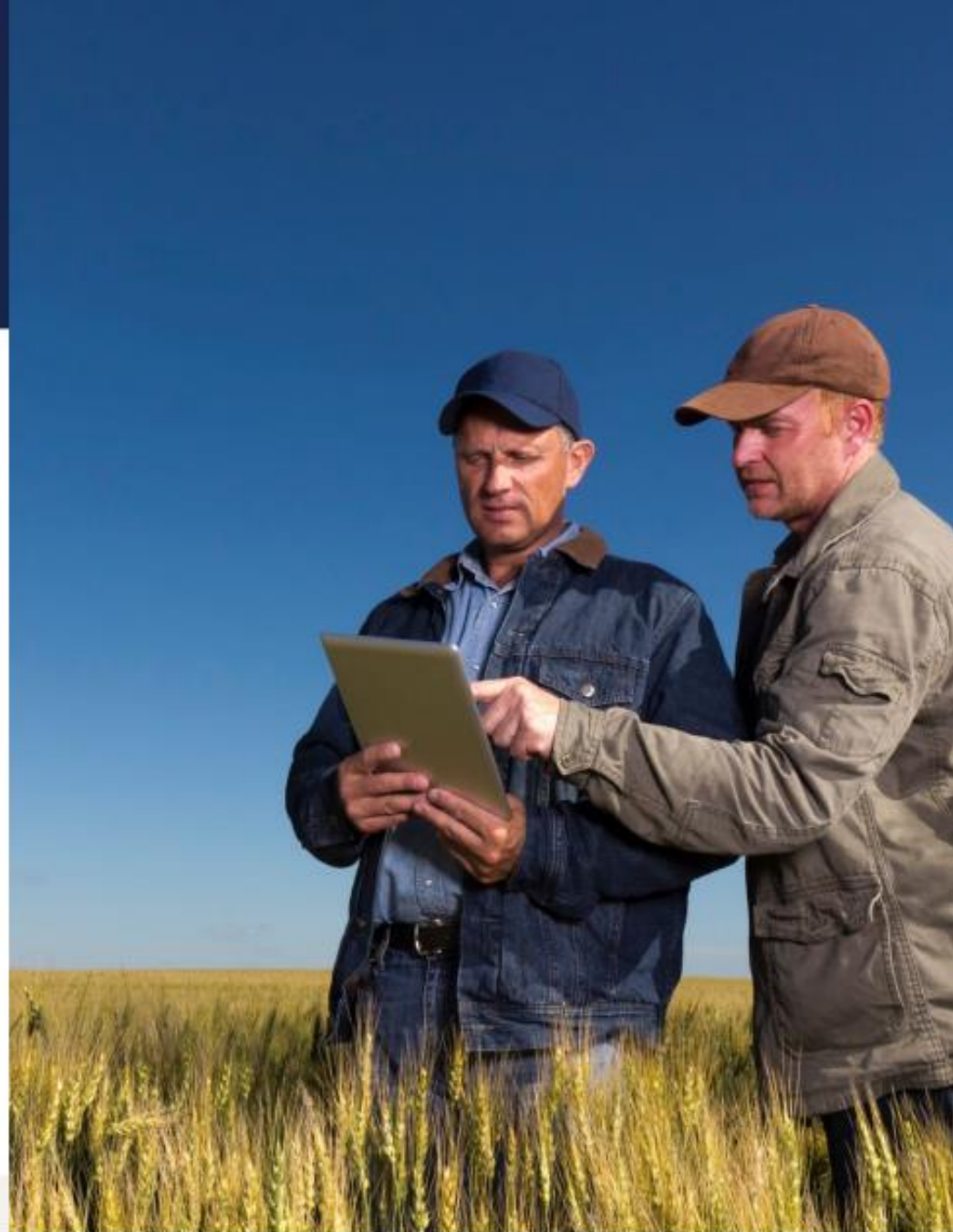


Frequently asked questions can  
be found on the RD IRA website.

<https://tinyurl.com/a6t9467e>

Please send additional questions to:

[SM.RD.RUS.IRA.Questions@usda.gov](mailto:SM.RD.RUS.IRA.Questions@usda.gov)



# Thank you !



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