

USDA's \$1B Clean Energy Loan Program

Key Facts:

On May 15, 2023, the U.S. Department of Agriculture's Rural Utilities Service released a Notice of Funding Opportunity (NOFO) for the Powering Affordable Clean Energy (PACE). This \$1 billion loan program passed as part of the Inflation Reduction Act (IRA).

- **PACE Program** – As directed by statute, PACE makes \$1 billion available in partially forgivable loans to renewable-energy developers and electric service providers, including municipals, cooperatives, and investor-owned and Tribal utilities to help finance large-scale solar, wind, geothermal, biomass, hydropower projects and energy storage in support of renewable energy systems. The maximum available loan is \$100 million with a minimum of \$1 million.
- **Letter of Interest (LOI)** – The LOI is the first step in the application process. Letters will be accepted between July 10 – September 29, 2023, with applications processed on a rolling basis. USDA will respond to promising LOIs with an 'Invitation to Proceed.'
- **Invitation to Proceed** – Applicants that receive an Invitation to Proceed will then have 60 days to submit a full PACE application.

USDA PACE Program

The NOFO sets forth the requirements for implementing \$1 billion in loan authority by USDA's Rural Utilities Service (RUS) for eligible applicants that generate electricity for resale to residents to build clean energy systems in rural and nonrural areas. At least 50 percent of the population served by the proposed renewable energy project must live in communities with populations of 20,000 or fewer. Under PACE, RUS will forgive up to 60 percent of loans for eligible projects dependent on criteria set forth in the NOFO.

Application Timeline

- 5/16/23 – Program Rules and NOFO posted:
<http://www.govinfo.gov/content/pkg/FR-2023-05-16/pdf/2023-10388.pdf>
- 7/10/23 – LOI application window opens and applications will be processed on a rolling basis.
- 7/11/23 – USDA will begin reviews of LOIs and start offering Invitations to Proceed.
- September thru December – USDA will announce awards.
- 9/29/23 – LOI must arrive by this date.
- 9/30/31 – No funds may be disbursed after this date.

Eligible Entities

The PACE program is available to eligible applicants that generate electricity for resale to residents in both rural and nonrural areas. At least 50 percent of the population served by the renewable energy project must inhabit communities with populations of 20,000 or fewer.

- 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 organized under the laws of any U.S. state or territory

Eligible Projects

The technologies used must be commercially available.

- Wind
- Solar
- Hydropower
- Geothermal
- Biomass renewable energy projects
- Energy storage projects related to a renewable energy project.
- Eligible projects where construction began after August 16, 2022, the effective date of the IRA, will be eligible for funding under PACE Program.

Loan Terms

Loan terms are the shorter of:

- 35 years.
- the useful life of the equipment financed.
- the term of the Power Purchase Agreement (PPA).
- the term of any leased real property.

Applicant Categories

- **Category 1** - Provides up to 20 percent total loan forgiveness for applicants if they meet the minimum set of standards set forth in the PACE program NOFO.
- **Category 2** - Provides up to 40 percent total loan forgiveness if the project is in or serves 50 percent or more of the population of a designated energy community, disadvantaged community, or distressed community.
- **Category 3** - Provides up to 60 percent total loan forgiveness if the project:
 - is located in U.S. territories or in Compacts of Free Association (Marshall Islands, Micronesia, and Palau).
 - serves areas with Tribal populations of 60 percent or greater, are owned by a Tribal government, or are in a [Substantially Underserved Trust Area](#).
- Loan forgiveness will not occur until the project has been completed and RUS has confirmed that the awardee has satisfied all other conditions specified in the award.

Additional Info

- Applicants must demonstrate that their proposed project is eligible, financially and technically feasible, securable, affordable, reliable, resilient and able to be completed within the allotted timeframe.
- Where applicable and possible, applicants are encouraged to work with designated [energy communities](#), disadvantaged communities, distressed communities, and Tribal communities. To determine if your proposed project is in a disadvantaged or distressed community, enter the project address here: <https://tinyurl.com/5n7a46zd>.
- PACE funding cannot support merchant power projects.
- The interest rate will be determined by the RUS municipal rate in effect at the time of the advance.
- No funds for this program may be disbursed after September 30, 2031.

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