

USDA's \$9.7B Clean Energy Grant and Loan Program for Electric Cooperatives

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 New Empowering Rural America (New ERA) Program. This is a voluntary \$9.7 billion grant and loan program passed as part of the Inflation Reduction Act (IRA) designed specifically for electric cooperatives that purchase or build new clean energy systems.

- **New ERA Program** – As directed by statute, USDA's Rural Utilities Service must utilize the New ERA funds to support the deployment of electric co-op clean energy projects while advancing the long-term resiliency, reliability, and affordability of rural electric systems.
- **Letter of Interest (LOI)** – The LOI is the first step in the application process. Letters will be accepted between July 31 and September 15, 2023. 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 New ERA application.

USDA New ERA (Empowering Rural America) Program

The NOFO sets forth the requirements for a \$9.7 billion financial assistance program to be implemented by USDA's Rural Utilities Service (RUS) specifically for electric cooperatives to purchase or build new clean energy systems. Funds can be disbursed as grants, loans, grant and loan combinations and debt modifications and refinancing on stranded assets. All projects must be completed and verified by September 30, 2031, to receive funding.

Eligible uses include renewable energy, storage, carbon capture, nuclear, generation and transmission system efficiency improvements, and other projects that will achieve the greatest reduction in greenhouse gases (GHGs) and otherwise aid disadvantaged rural communities. Applicants will be placed in one of three categories dependent on total utility plant (TUP), or more simply total utility assets, to ensure equitable competition amongst cooperatives.

Application Timeline

- 5/15/23 – Program Rules and Notice of Funding Opportunity posted: www.govinfo.gov/content/pkg/FR-2023-05-16/pdf/2023-10392.pdf
- 7/31/23 – Letter of Interest (LOI) submission portal opens.
- 9/15/23 – LOI submission portal closes.
- September – USDA reviews applications.
- October/November – Invitations to Proceed are issued. Selected applicants will have 60 days to complete applications upon receipt from USDA with an Invitation to Proceed.

Eligible Entities

- Electric cooperatives who are currently or have been in the past an RUS electric loan borrower.
- Electric cooperatives serving Rural Areas (service territory must include at least 50 percent Rural Areas).
- Wholly or jointly owned subsidiaries of such electric cooperatives that meet the above criteria.

Eligible Projects

An eligible project includes actions that will result in a reduction in GHG emissions and will be consistent with long-term resiliency, reliability, and affordability of rural electric systems. Such actions include, but are not limited to:

- The purchase or construction of Renewable Energy, Renewable Energy Systems, Zero-Emission Systems and Carbon Capture and Storage Systems.
- Activities that will enable the deployment of the above systems and/or improve energy efficiency and strategies to support these goals.

Financial Assistance Available

- **Loan** - The interest rate will be set either at the U.S. Treasury rate or at a fixed rate as low as two percent. A zero percent interest rate is available to refinance stranded assets or for projects that serve predominantly distressed, disadvantaged, or energy communities as defined in the NOFO.
- **Grant** - Applicants can apply for a grant that equals no more than 25 percent of the total project cost.
- **Loan and Grant Combo** - Applicants may request a loan and grant combo to finance proposed projects.
- **Loan Refinancing or Loan Modification** - In addition to loan and grant combinations, applicants may propose to refinance debt related to a stranded asset if the applicant utilizes the refinancing savings to fund an eligible project.

Applicant Tiers

- **Category 1** – equal to or more than \$500 million in total utility plant (TUP) value - 60% of program funding.
- **Category 2** – between \$200 million and \$500 million in TUP value - up to 20% of program funding.
- **Category 3** – equal to or less than \$200 million in TUP value - up to 20% of program funding.
- Category funding allocations are flexible based on demand within each category.

Scoring Criteria

- Pursuant to the statute, projects that achieve the greatest reduction in carbon dioxide emissions, methane, and nitrous oxide emissions will be scored highest. For purposes of this NOFO, GHG shall mean carbon dioxide, methane, and nitrous oxide.
- Projects will receive a maximum of 60 points based on a combination of mass-based and rate-based reductions and avoided emissions
 - Up to 30 points – estimated annual tons of GHG emissions reduced (owned or purchased)
 - Up to 10 points – estimated annual tons of GHG emissions avoided
 - Up to 10 points – percentage increase in zero-emission energy of energy mix (owned and purchased)
 - Up to 10 points – percentage decrease in carbon intensity of energy mix (owned and purchased)
- Based on GHG reduction considerations rather than preference or penalty for specific technologies or actions.
- Provides electric co-ops flexibility to demonstrate estimated GHG reductions associated with their application. For the purposes of the LOI, USDA will allow applicants to:
 - enter the data necessary to estimate the reduction of GHG emissions directly into the on-line submission portal using a RUS-provided “on-line estimator”.
 - submit a completed RUS-developed Achievable Reductions Tool Excel spreadsheet in the on-line submission portal that estimates the reduction of GHG emissions.
 - provide the data required by another method, though it must demonstrate it provides comparable information as those first two tools for scoring purposes and it may impact its LOI review time.

Additional Requirements

- Applicants must demonstrate that their proposed project is eligible, financially and technically feasible, affordable, and reliable.
- Any applicant selected will be required to provide reasonably adequate security for financed investments.
- A Community Benefit Plan will be required to receive a grant award, but will not be part of scoring criteria.

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