

Now is the Time to Apply for 9006 Energy Grants and Loan Guarantees

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The deadline is quickly approaching for applications for the 2007 USDA Section 9006 Energy Grant and Guaranteed Loan Program. The grant application deadline is May 18, 2007, and the deadline for the combination grant and guaranteed loan applications are due no later than July 2, 2007.

Last year was the first year that the USDA accepted applications for a combination grant and guaranteed loan application. Southwest Energy & Feed, Seminole, Texas, a Westar Trade Resources client, was successful in obtaining a \$500,000 grant and a \$1.1 million loan guarantee for a 1.6 million gallon per year biodiesel plant located adjacent to the Ocho Gin. This combination award was one of 7 awards by the USDA throughout the nation.



The 2002 Farm Bill established the Renewable Energy Systems and Energy Efficiency Improvements Program under Title IX, Section 9006. This section directs the Secretary of Agriculture to make loans, loan guarantees, and grants to farmers, ranchers and rural small businesses to purchase renewable energy systems and make energy efficiency improvements. Congress provided nearly \$23 million to fund the program in each of fiscal years 2003-2006.

The USDA anticipates that this program will help farmers, ranchers and rural small businesses reduce energy costs and consumption and help the nation meet its energy

needs. The program will also help support and stimulate rural economic development by helping agricultural producers and rural small businesses create new sources of income, to create new jobs, and to create new uses for agricultural products and wastes.

Some key provisions of the program are:

- Applicants may qualify for a grant, a guaranteed loan, or a combination of both.
- Grant request must not exceed 25 percent of the eligible project costs. Renewable energy grants can range from \$2,500 to \$500,000. Energy efficiency grants can range from \$1,500 to \$250,000.
- Projects under \$200,000 total project costs qualify for a simplified application process.
- Loan guarantees can be for up to 50% of total eligible project costs. Guarantees can range from \$5,000 to \$10,000,000 per project.
- Projects can qualify for combined grant and loan guarantee, but the grant portion is limited to \$150,000 and combined funding assistance cannot exceed 50% of total eligible project costs.

Projects must be for the purchase of a renewable energy system or to make energy efficiency improvements. Eligible renewable energy projects include systems that generate energy from wind, solar, biomass, or geothermal source or that produce hydrogen derived from biomass or water using a renewable energy source. Renewable energy projects can include the generation of electricity, heat, fuels, or hydrogen. Energy efficiency projects typically involve installing or upgrading equipment that results in a significant reduction in energy use from current operations.

Further requirements as outlined in the regulations are:

- The project must be located in a rural area.
- The project must be for a pre-commercial or commercially available and replicable technology.
- The project must be technically feasible.
- The applicant must be the owner of the system and control the operation and maintenance of the proposed project. A qualified third-party operator may be used to manage the operation and/or maintenance of the proposed project.
- All projects must be based on satisfactory sources of revenues in an amount sufficient to provide for the operation and maintenance of the system or project.

Grant requests must not exceed 25% of the eligible project costs. Eligible project costs include:

- Post-application purchase and installation of equipment, except agricultural tillage equipment and vehicles;
- Post-application construction or project improvements, except residential;
- Energy audits or assessments;
- Permit fees;

- Professional service fees, except for application preparation;
- Feasibility studies;
- Business plans;
- Retrofitting; and
- Construction of a new facility only when the facility is used for the same purpose, is approximately the same size, and based on the energy audit will provide more energy savings than improving an existing facility. Only costs identified in the energy audit for energy efficiency projects are allowed.

Guaranteed loan requests must not exceed 50% of the eligible project costs. In addition to the nine eligible project costs for grants listed above, eligible project costs for guaranteed loans also include:

- Working capital
- Land Acquisition

Rural Development combined grant and guaranteed loan funding packages will not exceed 50% of eligible project cost, with the grant portion not to exceed 25% of eligible project costs.

The types of technologies that are covered under the 9006 program are:

- Biomass, Bioenergy
- Anaerobic Digester
- Geothermal, electric generation
- Geothermal, direct use
- Hydrogen
- Solar, small (10 kW or smaller)
- Solar, large (larger than 10 kW)
- Wind, small (100 kW or smaller)
- Wind, large (larger than 100 kW)
- Energy Efficiency

For more information about applying for this grant and loan program, contact Westar Trade Resources at 214-320-0900 or cindy@westartrade.com.