

Section 9006 Program: Funding for Rural Energy Efficiency and Renewable Energy Projects

Tim O'Connell

**Assistant to the State Director/
Rural Energy Coordinator**

USDA/Rural Development

What is the Section 9006 Program?

- **Program designed to assist farmers, ranchers and rural small businesses with energy projects.**
- **Provides guaranteed loans and/or grants for renewable energy and energy efficiency projects.**
- **Created as a 5 year program (in FY 2002). Congress has funded the program at \$22.8 million per year for the first three years.**

What is the Section 9006 Program?

- **In 2003-2005, a total of about \$65 million in grants were awarded to 431 projects.**
- **Hawaii has been awarded about \$99,000 for three solar projects (out of 5 applications submitted).**

Who is Eligible?

- **Rural small businesses and agricultural producers can apply**
 - **Rural – Any area *other* than a city or town with population over 50,000. Cannot be in urbanized area adjacent to such a city or town. All of Hawaii except the Honolulu CDP**
 - **Agricultural Producer -- An individual or entity *directly* engaged in the production of agricultural products (including farming or ranching) that gets 50% + of their gross income from the operations**

Who is Eligible?

- **Small Business** – Must meet Small Business Administration (SBA) small business size standards, either:
 - A private entity including a sole proprietorship, partnership, corporation, cooperative (including a cooperative qualified under section 501(c)(12) of the Internal Revenue Code), or
 - An electric utility that provides service to rural consumers on a cost-of-service basis. Must be independent of government control or public funds.
 - www.sba.gov/size/indextableofsize.html
 - **Non-profits are excluded.**

Who is Eligible?

- **Applicant must demonstrate financial need (for grant):**
 - **that the applicant is unable to finance the project from its own and commercially available resources without grant assistance, or that the project proposed by the applicant cannot achieve the income and cashflows to sustain it financially over the long term without grant assistance.**
- **Rural small business must be headquartered in a rural area.**
- **Applicant must meet citizenship/legal status requirements**

What Projects are Eligible?

- **Any renewable energy or energy efficiency project as defined in the law.**
 - **Biomass--any organic material that is available on a renewable or recurring basis, including agricultural crops; trees grown for energy production; wood waste and wood residues; plants, including aquatic plants and grasses; fibers; animal waste and other waste materials; and fats, oils, and greases, including recycled fats, oils, and greases. It does not include paper that is commonly recycled or unsegregated solid waste.**
 - **Anaerobic Digester--a renewable energy system that uses animal waste and other organic substrates to produce thermal or electrical energy via anaerobic digestion.**
 - **Geothermal – electric generation—a system that uses geothermal energy to produce high pressure steam for electric power production.**
 - **Geothermal – direct use--a system that uses thermal energy directly from a geothermal source.**

What Projects are Eligible?

- **Any renewable energy or energy efficiency project as defined in the law.**
 - **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.
 - **Small Wind**—a wind energy system for which the rated power of the wind turbine is 100kW or smaller and with a generator hub height of 120 feet or less.
 - **Large Wind**--a wind energy project for which the rated power of the individual wind turbine(s) is larger than 100kW.

What Projects are Eligible?

- **Any renewable energy or energy efficiency project as defined in the law.**
 - **Small Solar--solar electric projects are those for which the rated power of the system is 10kW or smaller or solar thermal projects are those for which the rated storage volume of the system is 240 gallons or smaller or that have a collector area of 1,000 square feet or less.**
 - **Large Solar--solar electric systems are those for which the rated power of the system is larger than 10 kilowatts (kW) or solar thermal systems are those for which the rated storage volume of the system is greater than 240 gallons or that have a collector area of more than 1,000 square feet.**

What Projects are Eligible?

- **Any renewable energy or energy efficiency project as defined in the law.**
 - **Energy Efficiency Improvements--**
improvements to a facility, building, or process that reduces energy consumption, or reduces energy consumed per square foot.

What Projects are Eligible?

- **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 sufficiency revenues to provide for operation and maintenance.**
 - **[Guaranteed loan only] may be used for necessary capital improvements to an existing renewable energy system.**
- **The applicant must be the owner of the project and control the operation and maintenance of the proposed project.**

What Projects are Eligible?

- **Grants request can be up to 25% of project costs**
 - **Renewable Energy:**
 - **Minimum grant request: \$2,500**
 - **Maximum grant request: \$500,000**
 - **Energy Efficiency**
 - **Minimum grant request: \$1,500**
 - **Maximum grant request: \$250,000**

What Projects are Eligible?

- **Guaranteed loan request can be up to 50% of project costs**
 - **Minimum loan request: \$5,000**
 - **Maximum loan request: \$10,000,000**
 - **% of guarantee negotiated between the lender and USDA.**
 - **Maximum percentage of guarantee:**
 - **85% for loans of \$600,000 or less;**
 - **80% for loans of \$600,001 to \$5 million; and**
 - **70% for loans greater than \$5 million to \$10 million.**

What Costs are Eligible?

- **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 and license fees;**
- **Feasibility studies and Technical reports;**
- **Business plans;**

What Costs are Eligible?

- **Retrofitting;**
- **Construction of a new energy efficient 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 loans only]**
 - Working capital.
 - Land acquisition.

Other Application Issues

- **Following issues are impacted by size of project (cheaper the project, less complex and involved):**
 - **Application documents,**
 - **Contracting requirements,**
 - **Technical Reports,**
 - **Business-level feasibility study for renewable energy systems,**
 - **Use of professional engineers,**
 - **Use of energy assessment -v- an energy audit for energy efficiency improvement projects.**

Application Scoring

- 1. Quantity of energy replaced, produced, or saved (only one of the three are scored):
0, 5, 10, or 15 points**
- 2. Environmental benefits:
0 or 10 points**
- 3. Commercial availability:
0, 5, or 10 points**
- 4. Technical merit score:
0 to 35 points**

Application Scoring

- 5. Readiness (grants only):**
0, 5, 10, or 15 points
- 6. Small agricultural producer/very small business:**
0, 5, or 10 points
- 7. Simplified application/low cost projects:**
0 or 5 points
- 8. Previous grantees and borrowers:**
0 or 5 points

Application Scoring

9. Return on investment:

0, 2, 4, or 10 points.

10. Loan Rate (Guaranteed Loans only):

0, 5, or 10 points.

FY 2006

- **Grant: \$11,500,000 semi-annual National Competition. Awaiting publication in Federal Register for soliciting first round applications.**
- **Loan: \$200,698,080 National Competition. Applications now being accepted.**
- **If guaranteed funding still available 8/1/2006, will revert to grant funding (but not on a \$ for \$ basis) for second round grant funding.**

Other USDA Initiatives

- **Biobased Products and Bioenergy Program:**
 - finance technologies needed to convert biomass into biobased products and bioenergy--are eligible for financing under the Business and Industry Guaranteed Loan Program.
- **Cooperative Development Technical Assistance:**
 - assist in the development of cooperatives
- **Formation of an Energy Council at the National level:**
 - examine departmental programs and authorities, ensuring they fit into a comprehensive energy strategy.
 - focus our programs so that funds be used to help farmers, ranchers and rural communities efficiently create renewable energy systems and businesses.

Contact Information

Timothy W. O'Connell

Assistant to the State Director/Rural Energy Coordinator

USDA/Rural Development

154 Waiianuenue Ave., Room 303

Hilo, HI 96720

(808) 933-8313

(808) 933-8326 (F)

tim.oconnell@hi.usda.gov

<http://www.rurdev.usda.gov/rbs/farmbill/index.html>