



Financing and Cooperative Models

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USDA/Rural Development

Committed to the future of rural communities.



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

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What is the Section 9006 Program?



- Program designed to assist farmers, ranchers and rural small businesses with renewable energy projects.
- Provides guaranteed loans and/or grants (or combination) for renewable energy and energy efficiency projects.
- Created as a 5 year program (in FY 2002). Congress funded the program at around \$19 million for FY 2006.
- No word yet on FY 2007.

Who is Eligible?

- Rural small businesses *and* agricultural producers can apply
 - **Rural** – 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
 - **Small Business** – Must meet Small Business Administration (SBA) small business size standards: www.sba.gov/size/index/tableofsize.html
 - **Non-profits are excluded.**

Who is Eligible?

- (for grant)--applicant must demonstrate financial need
- Rural small business must be headquartered in a rural area.
- Applicant must meet citizenship/legal status requirements

What Projects are Eligible?

- Biomass--does not include paper that is commonly recycled or unsegregated solid waste.
- Anaerobic Digester
- Geothermal–electric generation and direct use
- Hydrogen
- Solar
- Wind
- 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.
 - for a pre-commercial or commercially available and replicable technology.
 - 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, under certain circumstances**
- **[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.**

Application Scoring

1. **Quantity of energy replaced, produced, or saved**
2. **Environmental benefits:**
3. **Commercial availability:**
4. **Technical merit score:**
5. **Readiness (grants only):**
6. **Small agricultural producer/very small business:**
7. **Simplified application/low cost projects:**
8. **Previous grantees and borrowers**

Application Scoring

9. Return on investment:

10. Loan Rate (Guaranteed Loans only):

Other USDA Opportunities

- **Rural Business Enterprise Grants help public bodies, non-profit corporations, and federally recognized Indian tribal groups to finance and facilitate development of small and emerging private business enterprises located in rural areas and cities of 50,000 people or less:**
 - **\$93,990 grant to used to address the technical challenges of developing and building a system to collect and process manure that dairy cows produce each day and convert it into energy. The funds will be utilized for technical assistance to identify which anaerobic digester technology is most appropriate identify the most appropriate site(s), aggregate supply of waste from the dairy, etc.**
 - **Pioneer Valley Biodiesel Cooperative (used vegetable oil)--the group obtained funds to do a feasibility study for starting the cooperative.**

Other USDA Opportunities

- **Value-Added Producer Grants** may be used for planning activities, such as feasibility studies or business plans, or to provide working capital for marketing value-added agricultural products and for farm-based renewable energy projects.
 - **Big River Resources Galva LLC--\$100,000 for planning to develop a 100 million gallon ethanol plant. More than 600 independent producers are involved in the project. The plant will process about 37 million bushels of corn a year.**
 - **One Earth Energy, LLC-- \$100,000 grant to develop a 100 million gallon ethanol plant—funds will be used for business, marketing, risk management, and equity drive plans.**
 - **Prairie Gold Inc.--\$288,975 grant for start-up expenses. The company will commercialize a corn oil and protein extraction process to extract oil and zein from corn used in dry-grind ethanol plants.**

Other USDA Opportunities

- **Biomass Research and Development (9008)**--support research, development and demonstration of biobased products, biofuels, and biopower.
 - **Eligible Recipients:** Institutions of Higher Learning; National Laboratory; Federal Research Agency; State Research Agency; Private Sector Entities and Nonprofit Organizations or a consortium of two or more of entities described above.
 - **Minimum of 20% Non-Federal cost share.**
 - **Grants awarded on a competitive basis with a maximum award of \$2 million and a minimum award of \$250,000.**
 - **The 9008 solicitation for FY07 is expected to be published in December 2006, and applicants should expect the due date for pre-applications to be due approximately 45 days following publication of the notice.**
 - **Full-applications are submitted by invitation only.**

Other USDA Opportunities

- **Western Wisconsin Energy, LLC (40 MGY ethanol)-
-\$665,000 in financial assistance--use of multiple
value-added producer grants and Rural Economic
Development Loans, which funded the initial
feasibility study, overall business plan and start
up costs (farmer owned).**
- **S.W. Energy, Missouri--\$35M: \$10M Renewable
Energy Guaranteed Loan and \$25M regular
Business and Industry Guaranteed Loan**

Other USDA Opportunities

- **Cooperative Development Technical Assistance. Potential for farmers to own biofuel production facilities:**
 - **Blue Sun Producers Cooperative—Colorado biodiesel cooperative of rapeseed producers.**
 - **Quad County Corn Processors' Cooperative—Iowa. 18- million-gallon-a-year ethanol plant.**
 - **Golden Triangle Energy Cooperative—Missouri-- 20- million-gallon-a-year ethanol plant.**
 - **Hawaii??**

Other USDA Resources

- **USDA/National Agricultural Library (research information)**
 - <http://www.nal.usda.gov/ttic/biofuels/res.htm>
- **USDA/Agriculture Research Service (Bioenergy & Energy Alternatives)**
 - http://www.ars.usda.gov/research/programs/programs.htm?np_code=307
- **USDA 2007 Farm Bill Theme Paper—Energy**
 - <http://www.usda.gov/documents/Farmbill07energy.pdf>

Other Resources

- **U.S. Department of Energy Loan Guarantees**
 - <http://www.lgprogram.energy.gov/>
- **National Renewable Energy Laboratory**
 - <http://www.nrel.gov/programs/>
- **ATTRA - National Sustainable Agriculture Information Service**
 - <http://attra.ncat.org/energy.html>

Other Resources

- **Sustainable Agriculture Research and Education (SARE)**
 - <http://www.sare.org/coreinfo/energy.htm>
- **Department of Energy: Office of Energy Efficiency and Renewable Energy**
 - <http://www1.eere.energy.gov/biomass/>
- **Bioenergy Feedstock Information Network (BFIN).**
 - <http://bioenergy.ornl.gov>.
- **25x25**
 - <http://www.25x25.org>



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