



## Highlights:

# USDA Rural Utilities Service Webinar on PACE and New ERA Program

May 17, 2023

## Presenters:

- Christopher McLean, Assistant Administrator, Rural Utilities Service (RUS) Program
- Clare Sorarski, Under Secretary, Senior Energy Counsel

## Two new programs under Rural Utilities Service (RUS)

Both Program's purpose is to transition to clean, affordable, reliable, resilient power. These are:

- PACE – Power Affordable Clean Energy Program
- New ERA – New Empowering Rural America

## Power Affordable Clean Energy Program (IRA Section 22001)

PACE helps make clean, affordable, and reliable energy accessible to people in Rural America.

Under PACE, the USDA Rural Development's Rural Utilities Service (RUS) will forgive up to 60% of loans for renewable energy projects that use:

- Wind
- Solar
- Hydropower
- Geothermal
- Biomass
- Renewable Energy Storage Projects

## Eligibility

PACE Program is available for eligible applicants that generate electricity for resale to residents in both rural and nonrural areas.

50% of the population served by your proposed renewable energy project must live in communities with populations of 20,000 or fewer.

## Eligible Entities

- ❖ Corporations
- ❖ Nonprofit's
- ❖ Municipalities
- ❖ Indian Tribes
- ❖ Utility Districts
- ❖ Alaska Native, Regional, or village corporations
- ❖ Cooperatives
- ❖ Limited Liability Companies or other for-profit entities organized under the laws of any U.S. State or territory



Forgiveness Levels: RUS will initially allocate a minimum of \$300 million to each category

**Category 1:** Up to 20% total loan forgiveness for applicants that meet the minimum requirements.

**Category 2:** Up to 40% total loan forgiveness if 50% or more of the population served by the proposed service area is located within the following areas:

- Energy Communities; or
- Distressed or Disadvantaged Communities (refer to Appendix)

**Category 3:** Up to 60% total loan forgiveness if:

- Proposed service area is located in Puerto Rico, United States Virgin Islands, Guam, American Samoa, or other U.S. Territories or Compact of Free Association (COFA) states; or
- Proposed service area consists of 60% or more of a Tribal area or serves an area that constitutes a Substantially Underserved Trust Area; or
- Project is owned by an Indian Tribe, defined by the Federally Recognized Indian Tribe List Act of 1994, including their wholly owned subsidiaries and instrumentalities, or Alaska Native Corporations, including regional or village corporations.

## Loan and Program Size

- \$1 million - \$100 million, inclusive of forgiveness; \$1 billion in funding

Costs associated with connecting energy and interconnection costs are potentially eligible.

- **Demonstrate Proposed Project is:**
- Eligible Financially and technically feasible
- Securable
- Reliable and resilient (can recover quickly following an unexpected disruption)
- Affordable
- Able to be completed within the allotted timeframe.
- The program supports designated energy communities, disadvantaged communities, distressed communities, and Tribal communities (Community Benefits Plan is required).



## Timeline

Target Date	Activity
<b>May 16 – June 10, 2023</b>	USDA <b>hosts</b> webinars, speaks at conferences, and is available to answer questions
<b>June 30, 2023</b>	<b>Opening</b> date for submission of PACE Letters of Interest. Letters <b>reviewed</b> on a rolling basis.
<b>July 2023</b>	USDA begins <b>reviews</b> of Letters of Interest (LOI) and begins invitations for applications. USDA notifies applicants if they are <b>invited</b> to submit a full application. Applicants have <b>60 days</b> to <b>submit</b> unless otherwise agreed to
<b>September 1, 2023 – December 2025</b>	PACE and <b>Announcements</b> are made.
<b>September 29, 2023</b>	<b>Closing date</b> for submission of PACE Letters of Interest
<b>September 30, 2031</b>	All funds fully <b>disbursed</b>



## Empowering Rural America (New ERA)

The new ERA program is for the long-term resiliency, reliability, and affordability of rural electric systems to significantly reduce CO<sub>2</sub>, methane, and nitrous oxide emissions.

### Eligibility

Electric cooperatives that are or have been RUS or REA borrowers, cooperative entities serving a predominantly rural area, or wholly or jointly owned subsidiaries of such cooperatives.

### Activities Supported

- ❖ Purchase of renewable energy
- ❖ Renewable
- ❖ Zero-emission systems
- ❖ Carbon capture and storage systems
- ❖ Deployment of such systems
- ❖ Energy efficiency improvements to generation & transmission systems of eligible entities
  - Mini-Grids
  - Grid Edge Technologies
  - Hardware/Software
  - Costs associated with connecting energy and interconnection costs are potentially eligible.
- ❖ Any combination of the above

### Permitted Use of Funds

- ❖ Grants – maximum 25% of project costs
- ❖ Loans fixed at 2% or a rate tied to the Federal government’s treasury rate; and 0% for predominantly [distressed, disadvantaged](#), or energy communities
- ❖ Refinance debt for stranded assets at 0% interest in certain instances
- ❖ Any combination of the above

*It can be used in combination with the Inflation Reduction Act Direct Pay*

### Eligible Entities

- ❖ Electric Cooperatives (or a wholly or jointly owned subsidiary of such electric cooperative)

### Eligible Uses

- |                         |   |
|-------------------------|---|
| ❖ Renewable Energy      | ❖ Renewable energy systems  |
| ❖ Zero-emission systems | ❖ Carbon capture and storage systems  |
| ❖ Deploy such systems   | ❖ Make energy efficiency improvements to electric generation and transmission systems |

### Process (2-Stages)

1. Letters of Interest (LOI):
  - Electronic submission of Letter of Interest – open July 31, 2023, through August 31, 2023
  - Letter of interest must meet minimum requirements and will be scored according to the selection criteria.
  - Additional requirements (reliability, resiliency, and affordability)
2. Full Application
  - High-scoring applicants will be invited to submit a full application.
  - The full proposal must be submitted within 60 days of the invitation to proceed or a mutually agreeable date.
  - RUS reserves the right to negotiate a final package of assistance.



## Allowable Funding Requests

Applicants can propose assistance from any single product or a combination of the following:

- Loans to finance the cost of new clean energy projects, at Treasury rate or interest rates as low as 2%;
- Grant funding up to 25% of the total cost of the proposal;
- Refinancing of stranded assets at interest rates as low as 0% with reinvestment in eligible activities;
- or
- Loans with interest rates as low as 0% for projects serving predominantly disadvantaged communities.

The Agency can offer an Applicant package different than requested.

## Scoring Criteria (maximum of 60 points)

- Annual tons of CO2 equivalent reduced (self-generated or purchased) – up to **30 points**.
- Annual tons of CO2 equivalent avoided: up to 10 points.
- Percentage increase in renewable or zero-emission energy in the energy mix (owned & purchased): up to **10 points**.
- Percentage decrease in the carbon intensity of the energy mix (owned & purchased): up to **10 points**.
- The score is relative to all applicants in the same category of Total Utility Plant size.
- Applicants will receive the **Achievable Reduction Tool** (RUS Spreadsheet made available) to calculate greenhouse gas reductions. If the model doesn't capture the greenhouse gas reductions, RUS says to inform them, and they will work with you.
- Evaluation of Criteria in addition to greenhouse gas score includes:
  - Consumer benefits for affordability (How does it affect your rate & bills reduced from efficiency)
  - Project cost per unit of greenhouse gas reduction
  - Projects costs relative to program funding
  - Geographic distribution of projects (show great geographic representation)
  - Efficient use of program funds
- Require submitting a Community Benefits Plan

## Application Categories

Applicants will compete in one of three categories based on their 2022 Total Utility Plant value.

**Category 1:** Applicants with a total utility plant value equal to or over \$500 million – at least 60% funding.

**Category 2:** Applicants with a total utility plant value under \$500 million but over \$200 million – up to 20% of funding.

**Category 3:** Applicants with a total utility plant value less than \$200 million up to 20% of funding.

Joint Applications will be considered:

- Consolidated groups of entities may submit a single Letter of Interest for consideration.
- Financial commitments will be disaggregated unless the group members are willing to accept joint liability.
- Group LOIs compete in the category reflective of the combined value of the group's Total Utility Plant.



## Timeline

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<b>May 16 – July 31, 2023</b>	USDA <b>hosts</b> webinars, speaks at conferences, and is available to answer questions
<b>July 31, 2023</b>	<b>Opening</b> date for submission of New ERA Letters of Interest
<b>August 31, 2023</b>	<b>Closing</b> date for submission of New ERA Letters of Interest
<b>September 2023</b>	USDA <b>reviews, scores, and ranks</b> submitted Letters of Interest
<b>October – November 2023</b>	USDA <b>invites</b> competitive New ERA applications to file a <b>full application</b> . Once applicants are invited to submit a full application, they have 60 days to do unless otherwise agreed to by USDA
<b>December 2023 – December 2026</b>	New ERA <b>awards and announcements</b> are made
<b>September 30, 2031</b>	All <b>funds fully disbursed</b>

## Inflation Reduction Act – Webinars

### Webinar: RUS Updates on IRA funding

- May 17, 2023

### Webinars: Overview of funding available through IRA

- May 22, 2023
- May 24, 2023
- May 31, 2023
- June 1, 2023



# Appendix

## Map by USDA for Locations of Distressed and Disadvantaged Communities

