

**RURAL ENERGY FOR AMERICA PROGRAM
REGULATORY IMPACT ANALYSIS**

The following regulatory impact analysis (RIA) is provided to fulfill the requirements of Executive Order 12866 and in accordance with the guidance provided in OMB Circular A-4. This RIA consists of an introduction, a summary of the major changes, a statement of need for the final rule, a discussion of the current provisions for the Rural Energy for America Program (REAP) and how the final rule changes those provisions, and an analysis of the benefits and costs of the changes.

1. Introduction

Both Congress and the Administration have set goals and provided funding for the development and increased use of renewable energy. By 2035, the Administration has committed to the goal of generating 80 percent of our electricity from a diverse set of clean energy sources.¹

With the Energy, of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), Congress amended the Farm Security and Rural Investment Act of 2002, in part, by adding 12 new sections addressing renewable energy to Title IX. Ten of these sections directly support the production of

¹ President O’Bama, 2011 State of the Union. “So tonight, I challenge you to join me in setting a new goal: by 2035, 80% of America’s electricity will come from clean energy sources. Some folks want wind and solar. Others want nuclear, clean coal, and natural gas. To meet this goal, we will need them all...”

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bioenergy, with the majority supporting liquid biofuels either exclusively or, as with the REAP, as a part of a broader program in support of renewable energy projects and energy efficiency. Some of the Title IX sections focus support on existing commercial biofuels production facilities (i.e., Sections 9004, 9005, and 9007), while others focus support on new advanced biofuels, research and development programs, and construction of new demonstration-scale and commercial-scale biorefineries (e.g., Sections 9003 and 9008). The Agricultural Act of 2014 (2014 Farm Bill) continues this authority with the exception that the ability to make grants for feasibility studies has been removed from REAP.

One of the Title IX programs is REAP, which seeks to promote energy efficiency and renewable energy development for agricultural producers and rural small businesses. REAP provides grants and guaranteed loans for eight different categories of renewable energy production (e.g., wind, solar, anaerobic digestion, hydro, and geothermal) as well as for energy efficiency improvements. REAP also provides grants for energy audits and renewable energy development assistance.

Renewable energy projects funded by REAP limit greenhouse gas (GHG) emissions through the development and adoption of renewable energy technologies. Because there currently is no market for mitigating GHG emissions, the private sector is not

capturing the value of such reductions in GHG emission. By supporting renewable energy technologies, REAP is helping to address this market failure .

The 2014 Farm Bill provides \$50 million of mandatory funding for REAP for Fiscal Year 2014 and each year thereafter. The 2014 Farm Bill also enables Congress to approve an additional \$20 million of discretionary funding each year of the Farm Bill. Therefore, it is important to have eligibility criteria and regulations in place to direct administration of the REAP program as well as to guide the public on how to apply for renewable energy and energy efficiency funding opportunities.

2. Summary of Major Changes

The final rule changes certain components of the program to reduce burden and to streamline application process for applicants. The following paragraphs discuss the major aspects of the final rule that are different from how the program is currently being implemented and administered.

Project eligibility. The Agency is allowing the purchase of renewable energy systems for a rural small business or agricultural operation, which is closely associated and shares an energy metering device with a residence.

Eligibility Criteria. For energy efficiency improvement

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projects, the Agency is requiring the energy efficiency improvements use less energy on an annual basis in order to be eligible for program funding.

Technical reports. The Agency has made several changes associated with the technical reports:

- The energy efficiency improvement and renewable energy system technical reports for projects with total project costs of \$200,000 or less are being simplified;
- Revising provisions associated with what is required for an energy assessment and an energy audit;
- Providing for a single technical report option for renewable energy systems submitted through the process for applications for projects with total project costs of greater than \$200,000; and
- Eliminating the distinction between large and small solar and wind projects such that the content in technical reports for all solar and for all wind projects are the same.

Applications. The final rule incorporates three grant application categories, for which the Agency has developed forms . For projects with total costs \$200,000 and greater, applicants may use RD Form 4280-3C, "Application for Renewable Energy Systems and Energy Efficiency Improvement Projects,

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Total Project Cost of \$200,000 and Greater.” For projects with total costs of less than \$200,000, but more than \$80,000, applicants may use Form RD 4280-3B, “Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000.” Finally, for projects with total costs of \$80,000 or less, applicants may use Form RD 4280-3A, “Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less.” The three application categories require different amounts of paperwork. With the changes, the smaller the total project costs, the lesser amount of paperwork and burden are associated with the process.

Scoring criteria. The Agency has made a number of changes to the scoring criteria:

- removed scoring criteria for technical merit and commercial availability because technical merit was too subjective and difficult to quantify and pre-commercial technologies are excluded from eligibility;
- added a criterion based on energy generated per dollar requested;
- modified the environmental benefits criterion;
- modified the size of the agricultural producer/small business criterion;

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- modified the previous assistance criterion;
- modified the “readiness” criterion now referred to as “commitment of funds;”
- modified the simple payback criterion; and
- modified the administrative points criterion.

Pre-commercial technology. The Agency removed pre-commercial technology as an eligible technology. Only commercially available technologies would be eligible for grants and guaranteed loans.

Energy audit requirement threshold for EEI applications. The Agency is raising the threshold for requiring an energy audit (versus an energy assessment) from \$50,000 to \$200,000 in total project cost.

Energy assessment. The Agency is allowing for an energy efficiency improvement project with total project costs of \$80,000 or less to have an individual or entity conduct the energy assessment and does not require the individual or entity to be “independent.”

3. Statement of Need

The Agency is authorized under Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) and Section 9007 of the amended Farm Security and Rural Investment Act of 2002 to provide to agricultural producers and rural

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small businesses loan guarantees and grants for the development and construction of renewable energy systems and energy efficiency improvement projects. The 2008 Farm Bill also authorized the Agency to provide grants specifically for energy audits, renewable energy development assistance, and feasibility studies. The 2014 Farm Bill continues these authorities, with four modifications which are discussed in the preamble of the final rule. These modifications are: adding a three-tier application process, adding councils as an eligible applicant for energy audit and renewable development assistance grants, removing grants for feasibility studies, and making flexible fuel projects ineligible under the program.

This final rule revises 7 CFR 4280, subpart B to include changes that the Agency had previously identified. The changes previously identified were included in the proposed rule, which was published in the Federal Register on April 12, 2013 (78 FR 22044), and included a 60 day public comment period. In addition to the comments received from the public on the proposed rule, the Agency is also addressing in the final rule public comments that were received on the interim final rule (76 CFR 21110, April 14, 2011)).

Changes required by the 2014 Farm Bill that were not already part of the rule were also implemented in this final

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rule. Such changes include, but are not limited to the following:

- Repealed the authority to fund feasibility study grants under REAP and also removed the ability to provide assistance for flexible fuel pumps.
- Allowed councils, as defined in the Resource and Conservation Development program (RC&D Councils), to be eligible applicants for energy audit and renewable energy development assistance grants.

Executive Order 13563 requires that, to the extent required by law, each agency modify and streamline rules that are excessively burdensome, outmoded, or ineffective at achieving their objective. The changes in this final rule will improve the implementation and administration of REAP. The modifications will streamline the application process, reduce burden to most applicants and rebalance the burden between applicants and awardees, and will provide increased flexibility in providing certain information.

The changes reflect the cumulative knowledge the Agency has gained by administering the program since its inception. This is reflected in: (1) streamlining and revising the grant application process; (2) developing application forms for each category of application; and revising or removing certain

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scoring criteria to make the scoring process overall more objective. Making the scoring criteria more objective (i.e., less subjective) will enable the Agency to score projects more consistently across the United States.

The renewable energy industry, in particular, has matured significantly since this program began in 2003. The Agency has taken into consideration that maturation as it developed this rule.

In considering changes to the program, the Agency also examined other federal programs that provide funding to similar projects that can be funded under REAP. The result of that examination was a determination that limiting REAP to commercial technologies (i.e., removing pre-commercial technologies as an eligible project) would avoid overlap with the Agency's Biorefinery Assistance Program (7 CFR 4279, subpart C).

In sum, these changes will improve the program. The cumulative effects of these changes are an overall reduction in the burden to applicants and an improvement in the implementation and administration of the program by the Agency.

4. Estimation of Baseline

In this section, the Agency provides a discussion of

practices in the baseline; a discussion of the baseline universe of affected parties; and an estimate of the number of applications that are likely affected by this rulemaking given current funding for this program from the 2014 Farm Bill.

A. Baseline Practices and Final Rule Modifications

The baseline for this program was implemented under 7 CFR, subpart B, which was initially established under the 2002 Farm Bill and subsequently modified under the 2008 Farm Bill. The following discussion provides an overview of how the program is currently implemented and administered and how those provisions are changed as a result of this final rule. In the absence this final rule, Agency support for renewable energy and energy efficiency projects in rural America would continue to be provided under the provisions found in the interim rule published in the Federal Register on April 14, 2011 (76 FR 11110) and as codified in 7 CFR 4280, subpart B.

Renewable Energy System (RES) and Energy Efficiency Improvement (EEI) Grants

Applicant eligibility

Under the baseline program, the applicant must be either an

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agricultural producer or a rural small business in order to be eligible for a RES/EEI grant. In addition, applicants that have received one or more grants or guaranteed loans under REAP (or the Section 9006 Program) must demonstrate that they have made satisfactory progress toward completion of the projects before they can be considered for subsequent funding.

Under the final rule, the applicant must still be either an agricultural producer or a rural small business and demonstrate that they have made satisfactory progress toward completion of previous projects before they can be considered for subsequent funding. However, some additional requirements have been added to the section on applicant eligibility.

First, several requirements found under project eligibility in the baseline program have been moved to the applicant eligibility requirements in the final rule. The requirements that have been moved are:

- the applicant must own or be the prospective owner of the project;
- the applicant must own or control the site for the project for the useful life of the project as described in the grant agreement;
- the applicant must have available at the time of application satisfactory sources of revenue in an amount

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sufficient to provide for the operation, management, maintenance, and any debt service of the project for the useful life of the project.

Second, although inferred under the baseline program, the final rule clearly states that the applicant must have the legal authority necessary to apply for and carry out the purpose of the grant.

Lastly, all applicants must also comply with the Dun and Bradstreet Data Universal Numbering System (DUNS) and System for Awards Management requirements unless exempt under 2 CFR § 25.110.

Project eligibility

Under the baseline program, REAP projects must involve the purchase of a renewable energy system (including flexible fuel pumps) or to make energy efficiency improvements including those to existing renewable energy systems. Such projects must be for a pre-commercial or commercially available and replicable technology that has technical merit, as determined by the Agency, and demonstrates technical feasibility.

Eligible hydropower projects are limited to those with a rated power of 30 megawatts or less.

In addition, the facility for the proposed project must be

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located in a rural area (see § 4280.103) if the applicant is a rural small business. However, if the applicant is an agricultural producer, the project may be located in either a rural or non-rural area. If the agricultural producer's facility is in a non-rural area, then the application can only be for renewable energy systems or energy efficiency improvements on integral components of a facility or on components that are directly related to the facility. Such projects must be part of and co-located with the agriculture production operation.

Under the baseline program, RES or EEI projects are prohibited when used for any residential purposes except for certain RES projects where a second meter or certification is provided to demonstrate that none of the excess power generated by the system is used for residential purposes.

Lastly, under the baseline program, other project eligibility requirements, which are more closely aligned with the applicant, are:

- the applicant must have a place of business in a state;
- the applicant must have sufficient sources of revenue to provide for the operation, management, maintenance, and debt service of the project over the life of the project;

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- the applicant must control the project's site for the financing term of any associated federal loans or loan guarantees; and
- the applicant must be the owner of the project and control the revenues and expenses of the project, including operation and maintenance. A third-party under contract to the owner may be used to control revenues and expenses and manage the operation and/or maintenance of the project.

Under the final rule, numerous changes have been made:

- pre-commercial technologies and flexible fuel pumps are no longer eligible projects;
- the purchase of a refurbished RES is now an eligible project;
- EEI projects must demonstrate that they will use less energy on an annual basis than the original building and/or equipment being improved or replaced in order to be eligible;
- conditions under which a proposed EEI project that replaces or duplicates an EEI project previously funded by REAP may be eligible for funding have been added;
- the limitation on eligible hydropower projects to those with a rated power of 30 megawatts or less has been relocated to the definition of hydroelectric source;

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- for agricultural producers with operations in non-rural areas, the application can only be for RES or EEI “on components that are directly related to and their use and purpose is limited to the agricultural production operation” rather than “on integral components of or directly related to the facility;” and
- additional options have been provided to allow RES projects that are closely associated with a residence and that share an energy metering device to be eligible.

With regard to the four applicant-related requirements, the requirement that the applicant must have a place of business in a state has been removed. The other three have been relocated to the applicant eligibility section with changes to two of them:

- the applicant must own or control the site of the project, adding “own or” to the requirement; and
- the applicant must own or be the prospective owner of the project, adding “or be the prospective owner.”

Applications

The following paragraphs discuss the application-related requirements for RES and EEI grant applications.

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Application deadlines. Under the baseline program,
application deadlines are specified each year in a notice
published in the Federal Register.

Under the final rule, application deadlines for State and National competitions and for the \$20,000 or less set-aside funding competition are identified in the rule. The Agency can also modify the application deadline by publishing a Notice in the Federal Register.

Limitations. Under the baseline, an applicant can only submit one type of funding application (grant-only, guaranteed loan-only, or guaranteed loan/grant combination) for each project per Federal fiscal year.

Under the final rule, the limitation remains unchanged.

Content. Under the baseline program, there are two different RES/EEI grant application requirements based on the total costs of the proposed project - a simplified application requirements can be used by applicants for proposed projects with total project costs of \$200,000 or less and a full application requirements for projects with total project costs of more than \$200,000.

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Under the final rule, there are three different sets application requirements based on the total costs of the proposed project:

- One for projects with total project costs of \$80,000 or less;
- One for projects with total projects costs of more than \$80,000 and up to and including \$200,000; and
- One for projects with total project costs of more than \$200,000.

In implementing the new "three-tier" application process, the Agency has developed forms which role all the application requirements outline in the regulation into forms that will assist applicants with completing an application. The three new application forms include: Form RD 4280-3C, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater; Form RD 4280-3B, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000; and Form RD 4280-3A, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less.

As under the baseline program, the amount and detail of

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information required under the final rule increases as the cost of the project increases.

Forms and certifications. Under the baseline program, the following forms are required with application submittal.

- Form SF-424, "Application for Federal Assistance."
- Form SF-424C, "Budget Information-Construction Programs."
- Form SF-424D, "Assurances-Construction Programs."
- Form RD 1940-20, "Request for Environmental Information."
- Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1-For Grantees Other than Individuals."
- Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions."
- Exhibit A-1 of RD Instruction 1940-Q, "Certification for Contracts, Grants and Loans," required by 7 CFR 3018.110 if the grant exceeds \$100,000.
- Form SF-LLL, "Disclosure of Lobbying Activities," must be completed if the applicant or borrower has made or agreed to make payment using funds other than Federal appropriated funds to influence or attempt to influence a decision in connection with the application.

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- Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions."
- Form RD 400-1, "Equal Opportunity Agreement."
- Form RD 400-4, "Assurance Agreement."

Under the baseline program, applicants and borrowers must provide a certification indicating whether or not there is a known relationship or association with an Agency employee. In addition, applicants with projects with total project costs of \$200,000 or less must certify that the applicant has met the criteria for submitting a simplified application.

Under the final rule, changes have been made to both the forms and certifications to be submitted with application.

With regard to forms, applicants are still required to submit:

- Form SF-424, "Application for Federal Assistance."
- Form SF-424C, "Budget Information-Construction Programs."
- Form SF-424D, "Assurances-Construction Programs."
- Form RD 1940-20 with documentation attached for the appropriate level of environmental assessment.

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- The applicable application form - Form RD 4280-3A, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less; Form RD 4280-3B, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000; or Form RD 4280-3C, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater.

Under the final rule, a number of forms required to be submitted with the application under the baseline program are now only submitted upon award. These forms are:

- Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1-For Grantees Other than Individuals."
- Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions."
- Exhibit A-1 of RD Instruction 1940-Q, "Certification for Contracts, Grants and Loans," required by 7 CFR 3018.110 if the grant exceeds \$100,000.

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- Form SF-LLL, "Disclosure of Lobbying Activities," must be completed if the applicant or borrower has made or agreed to make payment using funds other than Federal appropriated funds to influence or attempt to influence a decision in connection with the application.
- Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions."
- Form RD 400-1, "Equal Opportunity Agreement."
- Form RD 400-4, "Assurance Agreement."

With regard to certifications under the final rule, additional certifications are added to ensure that the applicant is a legal entity, because organizational documents are no longer required. Also certifications that equipment is available and proper laws are being followed in construction of a REAP project were added that were addressed in the technical reports under the baseline program.

With each application the applicant must:

- Identify whether or not the applicant has a known relationship or association with an Agency employee. If there is a known relationship, the applicant must

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identify each Agency employee with whom the applicant has a known relationship.

- Certify the applicant is a legal entity in good standing (as applicable), and operating in accordance with the laws of the state(s) or Tribe where the applicant has a place of business.
- Certify that the equipment required for the project is available, can be procured and delivered within the proposed project development schedule, and must be installed in conformance with manufacturer's specifications and design requirements. This would not be applicable when equipment is not part of the project.
- Certify that the project will be constructed in accordance with applicable laws, regulations, agreements, permits, codes, and standards.

For projects with total project costs of less than \$200,000, but more than \$80,000, applicants must certify that they meet the criteria for submitting applications for projects with total project costs between \$80,000 and up to and including \$200,000.

For projects with total project costs of \$80,000 or less, applicants must certify to many of the applicant and project

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eligibility requirements, rather than submitting a form or other documentation, including:

- The applicant meets each of the applicant eligibility criteria found in § 4280.112;
- The proposed project meets each of the project eligibility requirements found in § 4280.113;
- The applicant meets the criteria for submitting applications for projects with total project costs of \$80,000 or less;
- The applicant abides by the open and free competition requirements in compliance with § 4280.124(a)(1); and
- For bioenergy projects, any and all woody biomass feedstock from national forest system land or public lands cannot otherwise be used as a higher value wood-based product.

Operation description. Under the baseline program, an applicant must provide a description of their total farm/ranch/business operation and the relationship of the proposed project to the applicant's total farm/ranch/business operation.

Under the final rule, the applicant is required to submit a

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description of the applicant's farm/ranch/business operation and the North American Industry Classification System (NAICS) code applicable to the applicant's business concern.

Ownership description. Under the baseline program, the applicant must also provide a description of their ownership, including a list of individuals and/or entities with ownership interest, names of corporate parents, affiliates, and subsidiaries, as well as a description of the relationship including products between these entities.

Under the final rule, the requirement remains essentially unchanged, only clarifying that both the "management and product exchange" need to be discussed in the description of any relationship between the applicant and other entities.

Financial information for size determination. Under the baseline program, rural small business applicants must provide sufficient information to determine average annual receipts over the previous three years and the number of employees, over the previous 12 months, of the business and any parent, subsidiary, or affiliates at other locations. Agriculture producer applicants must provide the gross market value of their agricultural products, gross agricultural income, and

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gross non-farm income for the calendar year preceding the year in which the application is submitted.

Under the final rule, two substantive changes to these requirements have been made. First, agricultural producers are to supply their gross non-farm income for the three (rather than one) calendar years that precede the year in which the application is submitted. Second, the Agency has included what information is required for those applicants that do not have three years of financial data for size determination.

Financial information (only for projects with total project costs of \$200,000 and greater). Under the baseline program, the following financial information is required for this set of projects on the total operation of the agricultural producer/rural small business and its parent, subsidiary, or affiliates at other locations:

- a. Historical financial statements. Provide historical financial statements prepared in accordance with Generally Accepted Accounting Practices (GAAP) for the past 3 years, including income statements and balance sheets. If agricultural producers are unable to present this information in accordance with GAAP, they may

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instead present financial information in the format that is generally required by commercial agriculture lenders.

- b. Current balance sheet and income statement. Provide a current balance sheet and income statement prepared in accordance with GAAP and dated within 90 days of the application. Agricultural producers can present financial information in the format that is generally required by commercial agriculture lenders.
- c. Pro forma financial statements. Provide pro forma balance sheet at start-up of the agricultural producer's/rural small business' business that reflects the use of the loan proceeds or grant award; and 3 additional years, indicating the necessary start-up capital, operating capital, and short-term credit; and projected cash flow and income statements for 3 years supported by a list of assumptions showing the basis for the projections.

Under the final rule, these financial information requirements for projects with total project costs of \$200,000 and greater remain unchanged.

Previous grants and loans. Under the baseline program, an applicant that has received one or more grants and/or

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guaranteed loans under this program must make satisfactory progress, as determined by the Agency, toward completion of any previously funded projects before the applicant will be considered for subsequent funding.

Under the final rule, the Agency is adding to the baseline program requirement that the applicant describe the progress made on each project for which a previous grant and/or loan was received, including projected schedules and actual completion dates.

Basic project information. Under the baseline program, an applicant provides a concise summary of the project proposal and applicant information, project purpose and need, and project goals, including the title of the project, a description of how the applicant meets the criteria for an eligible applicant, how the project meets the criteria for an eligible project, whether the project is for a renewable energy system or energy efficiency improvement, and a brief description of the system or improvement.

Under the final rule, the applicant is still responsible for providing this same information (although the requirements are located in different places within the rule) with the

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exception of the concise summary. The final rule adds the requirements that the applicant include a description of the location of the project and a description of the process that will be used to conduct all procurement transactions to demonstrate compliance with open and free competition requirements (see § 4280.124(a)(1)).

Project positive effects. Under the baseline program, an applicant must provide documentation that the purpose of the proposed system contributes to the environmental goals and objectives of other Federal, State, or local programs to receive priority points.

Under the final rule, applicants must describe how the proposed project will have a positive effect on resource conservation (e.g., water, soil, forest), public health (e.g., potable water, air quality), and the environment (e.g., compliance with the U.S. Environmental Protection Agency's renewable fuel standard(s)), greenhouse gases, emissions, and particulate matter restrictions) under the project information requirement in addition to providing the appropriate environmental analysis form.

Matching funds. Under the baseline program, an applicant must

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provide a spreadsheet identifying sources of matching funds, their amounts, and the status of matching funds. The spreadsheet must also include a directory of matching funds source contact information and any applications, correspondence, or other written communication between applicant and matching fund source.

Under the final rule, an applicant must identify the amount of matching and other funds and the source(s) the applicant is proposing to use for the project under the project information requirement. In addition, the applicant must provide written commitments for matching and other funds at the time the application is submitted to receive points under the commitment of funds scoring criterion. The Agency has also included a description of what is expected in a written commitment in order to receive points.

Technical report. Under the baseline program, each application must contain a technical report that conforms to Appendix A for projects with total eligible project costs of \$200,000 or less, Appendix B for projects with total eligible project costs of greater than \$200,000, Appendix C for hydropower projects, or Appendix D for flexible fuel pumps.

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Under the final rule, each application must contain a technical report prepared in accordance with § 4280.110(h) and Appendices A through C as applicable. For projects with total projects costs of \$80,000 or less, the technical report requirements are located in the application narrative.

Feasibility study for renewable energy systems. Under the baseline program, a feasibility study must be prepared by an independent qualified consultant for each RES project that exceeds \$200,000. The components of a feasibility study are specified in Appendix E.

Under the final rule, the requirement for a feasibility study by a qualified consultant is still required for RES projects that exceed \$200,000. However, Appendix E is no longer referenced as it has been removed because REAP can no longer fund feasibility study grants.

Energy audit for energy efficiency improvement projects.

Under the baseline program, an energy audit is required for projects with total eligible project costs greater than \$50,000. For energy efficiency improvement projects with total eligible project costs of \$50,000 or less, either an energy assessment or energy audit can be submitted.

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Under the final rule, the threshold for requiring an energy audit (versus an energy assessment) is increased from \$50,000 to \$200,000 in total project cost. The Agency is changing this because experience with the program shows that it is not necessary for an applicant to incur the cost of a full energy audit for a \$50,000 project when an energy assessment provides sufficient information for the Agency to evaluate the project. In addition, an energy efficiency improvement project with total project costs of \$80,000 or less can provide an energy assessment and does not require the individual or entity to be "independent". The audit and assessment requirements are found in Appendix A, "Technical Report for Energy Efficiency Improvement Projects," of the final rule rather than having a separate application requirement.

Construction planning and performing development. Under the baseline program, each application submitted must be in accordance with § 4280.119 for planning, designing, bidding, contracting, and constructing renewable energy systems and energy efficiency improvement projects as applicable. For contracts of \$200,000 or less, the simple contract method, as specified in paragraph (e) of the section, may be used. Contracts greater than \$200,000 shall use the contract method

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specified in paragraph (g) of the section.

Under the final rule, each application submitted must be in accordance with § 4280.124 for planning, designing, bidding, contracting, and constructing renewable energy systems and energy efficiency improvement projects as applicable. While this section is organized differently from the current corresponding section, it covers many of the same subjects. The primary change is the provision of exceptions to the surety requirements for: (1) small acquisition and construction procedures, (2) equipment purchases and installation-only projects of more than \$200,000 if two conditions are met, and (3) other construction projects that have only one contractor performing work. There are also changes associated with the provisions for technical services for projects with total project costs greater than \$400,000, including allowing the applicant's in-house engineer to provide the services. Design services performed by engineers may only be done by engineers licensed in the state in which the facility is located. Further, the Agency is allowing an exemption from these requirements for projects with total project costs greater than \$400,000 if state or tribal law does not require the use of a licensed professional engineer.

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Grant Funding

Under the baseline program, the amount of grant funds made available to an eligible RES/EEI project cannot exceed 25 percent of total eligible project costs. The maximum grant assistance to any entity cannot exceed \$750,000 per federal fiscal year. In addition, for renewable energy system grants, the minimum grant is \$2,500 and the maximum is \$500,000 and, for energy efficiency improvement grants, the minimum grant is \$1,500 and the maximum grant is \$250,000.

Under the final rule, these requirements remain unchanged, but the final rule clarifies that the \$750,000 maximum grant assistance applies to all grants awarded under the REAP regulation.

Eligible Project Costs

Under the baseline program, the following costs are “eligible project costs:”

- Post-application purchase and installation of equipment.
- Post-application construction or improvements, except residential.
- Energy audits or assessments.
- Permit and license fees.

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- Professional service fees, except for application preparation.
- Feasibility studies and Technical reports.
- Business plans.
- Retrofitting.
- Construction of a new energy efficient facility.
- Energy efficiency improvements identified in the energy assessment or audit which are similar size and capacity.

Under the final rule, costs incurred prior to submittal of an application are not considered eligible project costs. This change results in removing the term “post-application” as found in the baseline program. Further, the final rule adds additional items that are eligible project costs and reformats several other eligible projects costs. The new list of eligible project costs under the final rule is:

- Purchase and installation of new or refurbished equipment.
- Construction, retrofitting, replacement, and improvements.
- Energy efficiency improvements identified in the applicable Energy Assessment or Energy Audit.
- Fees for construction permits and licenses.

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- Professional service fees for Qualified Consultants, contractors, installers, and other third-party services.
- For an eligible RES in which a residence is closely associated with the Rural Small Business or agricultural operation the installation of a second meter to separate the residence from the portion of the project that benefits the Rural Small Business or agricultural operation, as applicable.

Ineligible Project Costs

Under the baseline program, there is no list specifically identifying costs as being ineligible project costs.

Under the final rule, the Agency is including the following list of ineligible project costs. This list is not intended to be all inclusive.

- Agricultural tillage equipment, Used Equipment, and vehicles;
- Residential RES or EEI projects;
- Construction or equipment costs that would be incurred regardless of the installation of a RES or EEI shall not be included as an Eligible Project Costs. For example, the foundation for a building where a RES is being installed, storage only grains bins connected to drying

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systems, and the roofing of a building where solar panels are being attached;

- Business operations that derive more than 10 percent of annual gross revenue (including any lease income from space or machines) from gambling activity, excluding State or Tribal-authorized lottery proceeds, as approved by the Agency, conducted for the purpose of raising funds for the approved project;
- Business operations deriving income from activities of a sexual nature or illegal activities;
- Lease payments;
- Any project that creates a conflict of interest or an appearance of a conflict of interest as provided in § 4280.106;
- Funding of political or lobbying activities; and
- To pay off any Federal direct or guaranteed loans or other Federal debts.

Evaluating and scoring applications

Under the baseline program, the Agency evaluates each application to determine the eligibility of the applicant the project, and to determine if the project has technical merit.

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The Agency scores each eligible and complete application using the following criteria, with higher scoring applications receiving preference for funding:

- Quantity of energy replaced, produced, or saved, and flexible fuel pumps
- Environmental benefits
- Commercial availability
- Technical merit
- Readiness
- Small agricultural producer/very small business
- Simplified application/low cost projects
- Grantees and borrowers who did not receive assistance within the prior two years
- Simple payback
- State Director and Administrator priorities and points

Under the final rule, the evaluation process remains unchanged, but some of the scoring criteria have changed, as described below.

- The Agency increased the “Quantity of energy generated, replaced, or saved” score criterion to 25 points and created two separate sub-criterion: (1) Energy

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generated, replaced, or saved; and (2) Quantity of energy generated or saved per REAP dollar requested. The quantity of energy generated or saved per REAP dollar requested will measure the project's ability to generate or save energy over a 12 month period per REAP dollar requested. To receive the maximum of 10 point under this criterion the project must generate or save 50,000 BTUs. Flexible fuel pump scoring under this criterion was also removed.

- Commercial availability and technical merit have been removed and are considered as eligibility requirements only.
- "Small agricultural producer/very small business" has been revised and renamed "size of agricultural producer or rural small business" to align more with the Small Business Administration's definitions.
- "Simplified application/low cost project" has been removed since a third application process is added for total project cost of \$80,000 or less.
- Previous grantees and borrowers points were increased from 10 to 15 for those applicants who have never received prior assistance under REAP.
- Three new categories were added for consideration in awarding administrative points: (1) the applicant is a

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member of an under-represented or under-served population, (2) the proposed project furthers an Agency goal, and (3) the proposed project is located in an impoverished area, has experienced long-term population decline, or loss of employment.

Selecting and Awarding Grants

Under the baseline program, the following forms are executed with the grantee:

- Letter of conditions.
- Form RD 1942-46, "Letter of Intent to Meet Conditions."
- Form RD 1940-1, "Request for Obligation of Funds," and
- Form RD 4280-2, "Rural Business-Cooperative Service Grant Agreement."

Grantees must sign and return Forms RD 1940-1 and 1942-46 in order for the Agency to obligate funds for the project.

Grantees must also return the Grant Agreement

Where applicable, the grantee must also provide the Agency with a copy of the Power Purchase Agreement when the project is ready to start.

Under the final rule, grantees must submit the same set of forms as under the baseline program plus, as previously

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discussed, several forms that were submitted with the application form under the baseline program. These additional forms are:

- Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1-For Grantees Other than Individuals."
- Form SF-LLL, "Disclosure of Lobbying Activities," if the grant exceeds \$100,000 and/or if the grantee has made or agreed to make payment using funds other than Federal appropriated funds to influence or attempt to influence a decision in connection with the application.
- Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions."
- Form RD 400-1, "Equal Opportunity Agreement," or successor form.
- Form RD 400-4, "Assurance Agreement," or successor form.
- Form AD-1048, as signed by the contractor or other lower tier party.

In addition, the final rule requires applicants to submit written evidence that matching funds are in effect before the Agency will execute the grant agreement.

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Grantee Servicing

Under the baseline program, RES and EEI grants are serviced in accordance with the requirements specified in Departmental Regulations; 7 CFR part 1951, subparts E and O; and Form RD 4280-2.

Under the final rule, the requirements remain unchanged. However, the Agency included items pursuant to departmental regulation for clarity and consistency with other REAP grant programs. The following items are covered in the regulation.

- Inspections
- Programmatic changes in project cost or scope
- Changes in contractor or vendor
- Transfer of obligation or ownership
- Disposition of acquired property
- Financial management system and records
- Audit requirements
- Grant disbursement
- Monitoring of project
- Financial and project reporting requirements
- Outcome project performance reports
- Grant close-out

RES/EEI Guaranteed Loans

Applicant eligibility

Under the baseline program, the applicant eligibility criteria for RES/EEI grants applies to borrowers for RES/EEI guaranteed loans.

Under the final rule, the applicant eligibility requirements for borrowers continue to be the same as for RES/EEI grant applicants. As noted earlier under the applicant eligibility discussion for RES/EEI grants, some changes have been made to applicant eligibility that also applies to applicants applying for guaranteed loans. Please refer to that earlier discussion for more information.

Project eligibility

Under the baseline program, the project eligibility criteria for RES/EEI grants apply to RES/EEI guaranteed loans with the exception that guaranteed loan funds may also be used to make necessary capital improvement to an existing renewable energy system.

Under the final rule, the project eligibility criteria for guaranteed loans continue to be the same as for RES/EEI grants, and the changes to those requirements, as discussed earlier, apply to project eligibility requirements for

guaranteed loans.

The final rule allows guaranteed loans to be made for the purchase of an existing RES. This replaces the baseline program's provision for making "necessary capital improvements to an existing renewable energy system."

Lastly, the final rule allows as an eligible project cost the refinancing of a project's existing debt if the original purpose of the loan was for a project that qualifies as an eligible project under REAP.

Lender eligibility

Under the baseline program, the lender eligibility requirements are the same as for the B&I guaranteed loan program .

Under the final rule, these requirements remain the same.

Applications

Under the baseline program, applications for guaranteed loans of more than \$600,000 comply with the application contents specified for grant projects with total project costs of more than \$200,000, except for the grant forms. If the loan

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guarantee application is for \$600,000 or less, but with total project costs of more than \$200,000, the application contains the same information as for loan guarantees of more than \$600,000, except for grant forms. If the loan guarantee application is for \$600,000 or less, but with total project costs of \$200,000 or less, the application contains the same information as specified for grant projects with total project costs of \$200,000 or less, except for the grant forms. The following must also be included in a loan guarantee application:

- A completed Form RD 4279-1, "Application for Loan Guarantee" or Form RD 4279-1A, "Application for Loan Guarantee," if the guaranteed loan amount is \$600,000 or less.
- Form RD 1940-20.
- A personal credit report from an Agency approved credit reporting company for each owner, partner, officer, director, key employee, and stockholder owning 20 percent or more interest in the borrower's business, except passive investors and those corporations listed on a major stock exchange.
- Appraisals completed in accordance with § 4279.144.
- Commercial credit reports obtained by the lender on the borrower and any parent, affiliate, and subsidiary firms.

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- Current personal and corporate financial statements of any guarantors.
- Historical, current and pro forma financial information is required on the total operation of the agricultural producer/rural small business and its parent, subsidiary, or affiliates at other locations. All information submitted under this paragraph must be substantiated by authoritative records.
- Lender's complete comprehensive written analysis in accordance with § 4280.131.
- A certification by the lender that the borrower is eligible, the loan is for authorized purposes, and there is reasonable assurance of repayment ability based on the borrower's history, projections, equity, and the collateral to be obtained.
- A proposed loan agreement or a sample loan agreement with an attached list of the proposed loan agreement provisions.

Some of the application documentation described above do not have to be submitted to the Agency for requests of \$600,000 or less, but is a recordkeeping requirement. These documents are: personal credit reports, appraisals, commercial credit reports, personal and corporate financial statements of

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guarantors, and certification by the lender that the lender has completed a comprehensive written analysis of the project.

Under the final rule, most of these provisions remain unchanged, except that under the final rule the applicant must submit the appraisal with the application rather than just including it in the applicant's records.

Loan Funding

Under the baseline program, the amount of the loan made available to an eligible project under this subpart cannot exceed 75 percent of total eligible project costs. The minimum amount of a guaranteed loan made to a borrower is \$5,000, less any program grant amounts. The maximum amount of a guaranteed loan made to a borrower is \$25 million. The maximum percentage of guarantee is:

- 85 percent for loans of \$600,000 or less;
- 80 percent for loans greater than \$600,000 up to and including \$5 million;
- 70 percent for loans greater than \$5 million up to and including \$10 million; and
- 60 percent for loans of greater than \$10 million.

The total amount of the loans guaranteed under this subpart to

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one borrower, including the outstanding principal and interest balance of any existing loans guaranteed by this program, and new loan request, will not exceed \$25 million. Under the baseline, the eligible project costs for RES/EEI grants apply to RES/EEI guaranteed loans. Guaranteed loans also allowed working capital and land acquisition.

Under the final rule, the program requirements reviewed above would remain unchanged.

Eligible project costs.

Under the baseline program, eligible project costs for guaranteed loans are the same as for RES/EEI grants with the addition of working capital and land acquisition.

Under the final rule, eligible project costs for guaranteed loans include those costs identified for RES/EEI grants and add the following:

- Working capital.
- Land, building, and equipment acquisition.
- Routine lender fees.
- Energy assessments, energy audits, technical reports, business plans, and feasibility studies, except if any portion was financed by federal or state grant.

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- Building and equipment for an existing renewable energy system.
- Refinancing outstanding debt as long as the debt being refinanced is less than 50 percent of the overall loan, refinancing is necessary to improve cash flow and viability of the project, and the loan being refinanced has been current for at least the past 12 months.

The final rule also imposes a limitation on the first four eligible cost items identified to 5 percent of the guaranteed loan amount. Refinancing is eligible project cost

Loan processing and servicing

Under the baseline program, the guaranteed loan processing and servicing provisions rely on the provisions found in the B&I Guaranteed Loan program regulations (7 CFR parts 4279 and 4287), with some differences.

For loan processing, the primary differences are associated with the guarantee fee, equity requirements, financial statements, personal and corporate guarantees, conditions precedent to issuance of the loan note guarantee, and reporting after project construction.

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For loan servicing, the difference is under transfer and assumptions regarding documentation of request and additional loan funds.

Under the final rule, these requirements remain the same.

Scoring applications

Under the baseline program, guaranteed loan applications are scored just like RES/EEI grants, (except for the criteria specified in § 4280.117(c)(5)) and in paragraphs (1) and (2) below. Points are awarded for either paragraph (1) or (2), but not both.

- (1) If the interest rate on the loan will be below the prime rate (as published in The Wall Street Journal) plus 1.5 percent, 5 points will be awarded.
- (2) If the interest rate on the loan will be below the prime rate (as published in The Wall Street Journal) plus 1 percent, 10 points will be awarded.

Under the final rule, guaranteed loan applications will be scored using the same criteria as for RES and EEI grant applications (except using the loan amount requested rather than the grant amount requested for one of the scoring criteria) and this results in changes to scoring as described

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earlier in this document. In addition, the final rule removes the two interest rate scoring criteria found in the baseline program.

Awarding Loan Guarantees

Under the baseline program, the same process used for awarding B&I guaranteed loans is used for REAP guaranteed loan applications.

Under the final rule, the Agency is establishing a process specific to REAP guaranteed loans. Major features of this process are:

- Establishing monthly national competitions for guaranteed loan-only applications;
- Establishing a minimum score to determine how often a guaranteed-loan application will be competed. The final rule sets the minimum score at 50 points, but allows the Agency to adjust it through a notice in the Federal Register. Applications that score at or above the minimum score are eligible to compete in the monthly competitions and, if remain unfunded, are also eligible to compete in the national competition at the end of the year. Applications that score below the minimum score

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are not eligible for the monthly competitions, but are eligible to compete only in the national competition at the end of the year.

- Providing procedures for making award offers when there are insufficient funds available to cover the full amount being requested.

Borrower reporting after construction

Under the baseline program, the same project performance reports identified for RES/EEI grantees apply to RES/EEI guaranteed loan borrowers.

Under the final rule, these requirements remain the same.

RES/EEI Combined Funding Requests

Under the baseline program, applicants may submit a combined (grant and guaranteed loan) funding request. Combined funding requests require the applicant to comply with all of the grant and the guaranteed loan provisions. These combined funding requests cannot exceed 75 percent of total eligible project costs. Applicants whose combination applications are approved for funding must utilize both the loan guarantee and the

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grant. The Agency reserves the right to reduce the total loan guarantee and grant award as appropriate.

Under the final rule, these requirements remain the same, with two exceptions. First, the 75 percent limitation is based on “eligible project costs” rather than on “total eligible project costs.” Second, evaluating and selecting combined funding request applications will be based only on the grant score of the application. This change was necessitated by the new procedures for evaluating and selecting guaranteed loan only applications.

Renewable Energy System Feasibility Study Grants

The following information is collected under the baseline program, however during the promulgation of the final rule, the 2014 Farm Bill was enacted and repealed the RES feasibility study component of REAP. The Renewable Energy System Feasibility Study Grants sections of 7CFR 4280 part B were removed from the rule and the following information is no longer collected.

Applicant Eligibility

Under the baseline program, the applicant eligibility

requirements identified for RES/EEI grants apply.

Project Eligibility

Under the baseline program, to be eligible for a RES feasibility study grant, the RES project must meet the project eligibility requirements for a RES grant or guaranteed loan. In addition, the project must not have had a feasibility study already completed for it in which Federal and/or State assistance was used to fund the study and the applicant must have a place of business in a State.

Grant funding

Under the baseline program, the amount of grant funds made available for an eligible feasibility study project cannot exceed \$50,000 or 25 percent of the total eligible project cost of the study, whichever is less. The grantee has 2 years from the date of the grant agreement to provide the Agency with a complete and acceptable feasibility study and to request disbursement of the funds. If the grantee does not submit a complete and acceptable feasibility study to the Agency within this 2 year period, the grant is subject to termination by and reimbursement to the Agency according to Departmental Regulations.

Applications

Under the baseline program, applicants must submit an application that contains the following elements:

(a) Forms, documents, and certifications. The application shall contain the forms and documents specified in paragraphs (a)(1) through (a)(11) of this section.

(1) Form SF-424.

(2) Form SF-424A, "Budget Information - Non-Construction Programs" (as applicable).

(3) Form SF-424B, "Assurances - Non-Construction Programs" (as applicable).

(4) Form SF-424C (as applicable).

(5) Form SF-424D (as applicable).

(6) Form RD 1940-20 (as applicable).

(7) Except for sole proprietors, a copy of legal organizational documents.

(8) A proposed work plan, which includes:

(i) A brief description of the proposed system the feasibility study will evaluate;

(ii) A description of the feasibility study to be conducted. The contents of an acceptable feasibility study are identified in Appendix E of this subpart. Applicants shall require those conducting the feasibility study to consider and

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document within the feasibility study the important environmental factors within the planning area and the potential environmental impacts of the project for which the feasibility study is being conducted, as well as the alternatives considered;

(iii) The timeframe for completion of the feasibility study;

(iv) The experience of the company/individual completing the feasibility study, including the number of similar projects the company/individual has performed, the number of years the company has been performing a similar service, and corresponding resumes; and

(v) The source and amount of other project funds, including agency-approved written documentation/confirmation from any third party committing a specific amount of such funds.

Documentation includes such items as bank statements, lender commitment letters, and so forth;

(9) A certification that the applicant has not received any other Federal or State assistance for a feasibility study for the subject renewable energy system.

(10) If the applicant is a rural small business, certification that the feasibility study grant will be

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for a renewable energy system project that is located in a rural area.

(11) The applicant's Dun and Bradstreet Data Universal Numbering System (DUNS) number (except for individuals).

(b) Financial information for gross income or size determination. The application shall contain sufficient financial information to allow the Agency to determine the agricultural producer's percentage of gross income derived from agricultural operations or the rural small business' size, as applicable. All information submitted under this paragraph must be substantiated by authoritative records:

(1) If the applicant is a rural small business, provide sufficient information to determine its total annual receipts and number of employees and the same information for any parent, subsidiary, or affiliates at other locations; and

(2) If the applicant is an agricultural producer, provide the gross market value of the agricultural products, gross agricultural income, and gross nonfarm income of the applicant for the calendar year preceding the year in which the application is submitted.

Evaluation, scoring, and selecting applications

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Under the baseline program, renewable energy system feasibility study grant applications are evaluated using the same process as for RES/EEI grant applications, except that the provisions for technical merit do not apply to feasibility study grant applications. The Agency scores each application using the following six criteria, with higher scoring applications receiving preference for funding:

- Energy replacement or generation
- Commitment of funds for the feasibility study
- Designation as a Small agricultural producer/very small business
- Experience and qualifications of the entity identified to perform the feasibility study
- Size of feasibility study grant request, with smaller grant requests receiving more points
- Private and public resources to implement project

Awarding and administering

Under the baseline program, the Agency awards and administers feasibility study grants using the same procedures as for RES/EEI grants, except that the insurance required for RES/EEI grants would apply only if equipment is purchased and the power purchase agreement is not required.

Servicing

Under the baseline program, the Agency services feasibility study grants using the same procedures as for RES/EEI grants.

**Energy Audit and Renewable Energy Development Assistance
(EA/REDA) Grants**

Applicant Eligibility

Under the baseline program, to be eligible for an EA/REDA grant, the applicant must be

- A unit of a state, tribal or local government;
- A land-grant college or university, or other institution of higher education;
- A rural electric cooperative;
- A public power entity; or
- An instrumentality of a state, tribal, or local government.

In addition, the applicant must have sufficient capacity to perform the energy audit or renewable energy development assistance activities proposed in the application to ensure success; possess the legal authority and responsibility necessary to carry out the purposes of the grant; and comply with DUNS and System for Awards Management.

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Under the final rule, these requirements remain the same with the exception of the addition of Resource and Conservation Development Council as an eligible applicant (as a result of the Agricultural Act of 2014).

Project Eligibility

Under the baseline program, to be eligible for an EA or REDA grant, the grant funds for the project must be used by the grant recipient to assist agricultural producers or rural small businesses located in a State in one or both of the following:

- Conducting and promoting energy audits that meet the requirements of the energy audit as defined in the final rule.
- Conducting and promoting renewable energy development assistance by providing to agricultural producers and rural small businesses recommendations and information on how to improve the energy efficiency of their operations and how to use renewable energy technologies and resources in their operations.

Such energy audit assistance and renewable energy development assistance must be provided to a recipient located in a state and can be provided only to facilities located in rural areas, unless the owner of such facility is an agricultural producer.

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If the facility is owned by an agricultural producer, the facility for which such services are being provided may be located in either a rural or non-rural area. If the agricultural producer's facility is in a non-rural area, then the energy audit or renewable energy development assistance can only be for renewable energy system or energy efficiency improvement on integral components of or directly related to the facility. Such projects must be part of and co-located with the agriculture production operation. Lastly, the applicant must have a place of business in a state.

Under the final rule, these requirements remain the same except that the phrase "on integral components of or directly related to the facility" has been replaced with "directly related to and their use and purpose is limited to the agricultural producer's project."

Grant funding

Under the baseline program, the maximum aggregate amount of grants awarded to any one recipient under this subpart cannot exceed \$100,000. The EA grant requires that, as a condition of each energy audit, the agricultural producer or rural small business pay at least 25 percent of the energy audit cost. The amount paid by the agricultural producer or rural small

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business must be retained by the recipient as a contribution towards the cost of the energy audit.

Under the final rule, these requirements remain the same, except that the Agency clarified that the maximum aggregate of \$100,000 is per federal fiscal year.

Applications

Under the baseline program, applicants may only submit one energy audit grant application and one renewable energy development assistance grant application each federal Fiscal year. No combination (energy audit and renewable energy development assistance) applications are accepted.

Applications must contain the elements specified below:

- Form SF-424.
- Form SF-424A.
- Form SF-424B.
- If applicable, a copy of the applicant's organizational documents showing the applicant's legal existence and authority to perform the activities under the grant.
- A proposed scope of work that includes the following: a description of the proposed project, details of the proposed activities to be accomplished and timeframes for completion of each task, the number of months duration of

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the project, and the estimated time it will take from grant approval to beginning of project implementation. The written narrative used to describe the scope of work should include, at a minimum, the following items:

- (1) An Executive Summary;
- (2) The plan and schedule for implementation;
- (3) The anticipated number of agricultural producers and/or rural small businesses to be served;
- (4) An itemized budget - compute total cost per rural small business or agricultural producer served - matching funds should be clearly identified as cash;
- (5) The geographic scope of the proposed project;
- (6) Applicant's experience as follows:
 - (i) If applying for a renewable energy development assistance grant, the applicant's experience in completing similar renewable energy development assistance activities, including the number of similar projects the applicant has performed and the number of years the applicant has been performing a similar service.
 - (ii) If applying for an energy audit grant, the number of energy audits and assessments the applicant has completed and the number of

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years the applicant has been performing those services;

(iii) For all applicants, the amount of experience in administering energy audit, renewable energy development assistance, or similar activities using state or federal support.

(7) Applicant's resources, including personnel, finances, and technology, to complete what is proposed. If an application is for projects located in multiple states, resources must be sufficient to complete all projects;

(8) Leveraging and commitment of other sources of funding being brought to the project. Leveraged funds should be clearly identified as cash and by source. Written documentation/confirmation from the party committing a specific amount of leveraged funds is required;

(9) Outreach activities/marketing efforts specific to conducting energy audit and renewable energy development assistance including:

- (i) Project title;
- (ii) Goals of the project;
- (iii) Identified need;
- (iv) Target audience;

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(v) Timeline and type of activities/action plan;
and

(vi) Marketing strategies.

(10) Method and rationale used to select the areas and businesses that will receive the service.

(11) Brief description of how the work will be performed, including whether organizational staff, consultants, or contractors will be used.

- The most recent financial audit (not more than 18 months old) of the applicant, or subdivision thereof, that will be performing the proposed work. If such an audit is not available, the latest financial information that shows the financial capacity of the applicant, or subdivision thereof, to perform the proposed work. Such information may include, but is not limited to, the most recent year-end balance sheet, income statement, and other appropriate data that identify the applicant's resources.
- The applicant's Dun and Bradstreet Data Universal Numbering System (DUNS) number.

Under the final rule, some provisions changed to streamline the number of items requested (i.e., scope of work and marketing and outreach plan combined), reduce the financial information requirement, and allow the applicant to certify

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their organizational status rather than having to provide organizational documents.

The final rule includes an application deadline (January 31 unless otherwise modified through a notice in the Federal Register), whereas the application deadline is currently announced via a notice in the Federal Register.

All other application provisions remain the same as in the baseline program.

Evaluation, scoring, and selecting applications

Under the baseline program, EA/REDA grant applications are evaluated using the same process as for RES/EEI grant applications, except that the provisions for technical merit do not apply to EA/REDA grant applications.

The Agency scores each application using the following criteria, with higher scoring applications receiving preference for funding:

- Project proposal
- Administrative Expenses
- Applicant's organizational experience in completing proposed activity

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- Geographic scope of project in relation to identified need
- Number of agricultural producers/rural small businesses to be served
- Potential of project to produce energy savings and its attending environmental benefits
- Marketing and outreach plan
- Level and commitment of other funds for the project

The two highest scoring applications from each state will be submitted to the national Office to compete for funding, with higher scoring applications receiving first consideration for funding.

Under the final rule, the Project Proposal and Use of Grant Funds for Administrative Expenses criteria were removed because they did not align with statutory priorities for funding. Otherwise, these provisions remain the same as under the baseline program.

Awarding and administering

Under the baseline program, EA/REDA grants are awarded in accordance with Departmental regulations and through a series of forms, very similar to the RES/EEI grants:

- Letter of Conditions

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- Applicant's intent to meet conditions
- Form RD 1942-6
- Form AD-1047
- Form AD-1049
- Either Form SF-LLL or Exhibit A-1 of RD Instruction 1940-Q
- Form RD 400-4
- Form AD-1048 (to be completed by the contractor)

For approval, the grantee must submit Form RD 1940-1, the approved scope of work, and Form RD 4280-2. The grantee must abide by all requirements contained in Form RD 4280-2, this subpart, and any other applicable federal statutes or regulations. Failure to follow these requirements may result in termination of the grant and adoption of other available remedies.

Under the final rule, EA/REDA grants will be awarded and administered using the same procedures as for RES/EEI grants in the final rule with three exceptions:

- the grantee must provide satisfactory evidence to the Agency that all officers of grantee organization authorized to receive and/or disburse federal funds are covered by such bonding and/or insurance requirements as are normally required by the grantee;

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- Form RD 400-1 is not required; and
- the power purchase agreement is not required.

Servicing

Under the baseline program, the Agency services EA/REDA grants using the same procedures as for RES/EEI grants.

Under the final rule, these requirements remain the same.

Baseline costs per applicant and awardee

Burden estimates for applicants and awardees are broken down into the following four categories: applications; awardee documents and certifications; reporting and other servicing actions; and appeals.

The baseline burden, previously approved, were updated to account for responses an applicant may need to make but not required for every respondent. These responses were minor toward the entire estimated burden but added in order to make a better comparison for reduction of burden.

In addition the reduction in burden meets the reporting requirements of the retrospective review report which provided a specific percentage reduction in application burden,

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specifically the time it takes to complete the narrative portion of the application, which was reduced from 40 hours in the baseline, down to 20 hours in the final rule, a 50 percent reduction.

Tables 1a through 1h summarize and compares the estimated per respondent, or applicant, burden under the baseline and final rule.

Tables 1a, 1b, and 1c compares burden per respondent for the three stages of an application or project, which are: application stage, award stage, and servicing stage. The application stage is applicable to every respondent that submits an application to the program. The award stage and servicing stage are only applicable to a respondent whom get selected to receive funds and proceed with the project. An appeal stage was also included which give the customer the right to have an Agencies negative decision reviewed by the National Appeals Division and can happen at any of the stages.

Table 1a-1c illustrates the burden reduction for the three stages of the application or project process. Table 1a summarizes the estimated per respondent burden under the final rule. Table 1b summarizes the estimate per respondent burden

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under the baseline. Feasibility study was presented in this table to show decreased burden due to rescission of the feasibility study grant from the program by Congress in the 2014 Farm Bill. Table 1c summarizes the estimated per respondent burden change between baseline and final rule, savings is indicated as a negative number.

Table 1d compares the estimated burden and cost under the baseline and final rule for an awardee, or application, for each application type. It demonstrates that the final rule reduces overall burden hours and cost for an awardee for each application type.

Tables 1e through 1h further demonstrate that the final rule will reduce overall burden to an awardee, compared to the baseline. Table 1e and 1f utilizes fiscal year 2014 awardee data to show baseline burden and cost and illustrate estimated aggregate cost and burden reduction with the final rule.

Table 1g and 1h utilizes estimated fiscal year 2015 awardee data to compare the baseline burden and cost with the final rule. Tables 1g and 1h further illustrate the estimated aggregate reduction in both burden hours and cost.

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Table 1a. Estimated Respondent Burden for final rule, hours per burden area

REAP Assistance	Burden Grouping (Hours per burden area)				
	Applications	Awardee Documents & Certs	Awardee Reporting & Other	Appeals*	Total Number of Burden Hours
EA/REDA Grants	27	11	27	13	78
RES Grant, >\$200,000	125	18	5	13	161
RES Grant, <\$200,000	50	17	5	0	72
RES Grant, <\$80,000	35	16	5	0	56
EEl Grant, >\$200,000	85	17	4	0	106
EEl Grant, <\$200,000	50	16	4	0	70
EEl Grant, <\$80,000	35	15	4	0	54
RES Guaranteed Loan, >\$600,000	135	34	57	13	239
RES Guaranteed Loan, <\$600,000 - >\$200,000	134	34	57	0	225
EEl Guaranteed Loan, >\$600,000	95	34	57	0	186
EEl Guaranteed Loan, <\$600,000 - >\$200,000	94	34	57	0	185
RES/EEl Guaranteed Loan, <\$200,000 - >\$80,000	79	34	57	0	170
RES/EEl Guaranteed Loan, <\$80,000	64	34	57	0	155
RES Combination, >\$600,000	141	51	61	0	253
RES Combination, <\$600,000 - >\$200,000	140	51	61	0	252
EEl Combination, >\$600,000	101	50	61	0	212
EEl Combination, <\$600,000 - >\$200,000	100	50	61	0	211
RES/EEl Combination, <\$200,000 - >\$80,000	85	51	61	0	197
RES/EEl Combination, <\$80,000	69	51	61	0	181

* Appeals. It is estimated that the burden associated with appeals is 26 hours for RES/EEl Grants, as well as, RES/EEl Loan Guarantees. It is anticipated that the appeal will occur on a larger project so the burden was placed there, but it could occur on any one of the project thresholds.

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Table 1b. Baseline Respondent Burden, hours per burden area

REAP Assistance	Burden Grouping Hours per burden area)				Totals
	Applications	Awardee Documents & Certs	Awardee Reporting & Other	Appeals*	
EA/REDA Grants	37	12	27	13	89
Feasibility Study Grants*	24	13	3	13	53
RES Grant, >\$200,000	142	18	5	13	178
RES Grant, <\$200,000	82	18	5	0	105
RES Grant, <\$80,000	82	18	5	0	105
E EI Grant, >\$200,000	118	17	4	0	139
E EI Grant, <\$200,000	98	17	4	0	119
E EI Grant, <\$80,000	82	17	4	0	103
RES Guaranteed Loan, >\$600,000	145	34	57	13	249
RES Guaranteed Loan, <\$600,000 - >\$200,000	144	34	57	0	235
E EI Guaranteed Loan, >\$600,000	116	34	57	0	207
E EI Guaranteed Loan, <\$600,000 - >\$200,000	115	34	57	0	206
RES/E EI Guaranteed Loan, <\$200,000 - >\$80,000	102	34	57	0	193
RES/E EI Guaranteed Loan, <\$80,000	102	34	57	0	193
RES Combination, >\$600,000	158	50	60	0	268
RES Combination, <\$600,000 - >\$200,000	157	50	60	0	267
E EI Combination, >\$600,000	134	49	59	0	242
E EI Combination, <\$600,000 - >\$200,000	133	49	59	0	241
RES/E EI Combination, <\$200,000 - >\$80,000	133	50	60	0	243
RES/E EI Combination, <\$80,000	133	49	59	0	241

* Appeals. It is estimated that the burden associated with appeals is 26 hours for RES/E EI Grants, as well as, RES/E EI Loan Guarantees. It is anticipated that the appeal will occur on a larger project so the burden was placed there, but it could occur on any one of the project thresholds.

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Table 1c. Variance from Baseline Respondent Burden, hours per burden area

REAP Assistance	Burden Grouping Hours per burden area)				Totals
	Applications	Awardee Documents & Certs	Awardee Reporting & Other	Appeals	
EA/REDA Grants	-10	-1	0	0	-11
Feasibility Study Grants*	-24	-13	-3	-13	-53
RES Grant, >\$200,000	-17	0	0	0	-17
RES Grant, <\$200,000	-32	-1	0	0	-33
RES Grant, <\$80,000	-47	-2	0	0	-49
EI Grant, >\$200,000	-33	0	0	0	-33
EI Grant, <\$200,000	-48	-1	0	0	-49
EI Grant, <\$80,000	-47	-2	0	0	-49
RES Guaranteed Loan, >\$600,000	-10	0	0	0	-10
RES Guaranteed Loan, <\$600,000 - >\$200,000	-10	0	0	0	-10
EI Guaranteed Loan, >\$600,000	-21	0	0	0	-21
EI Guaranteed Loan, <\$600,000 - >\$200,000	-21	0	0	0	-21
RES/EI Guaranteed Loan, <\$200,000 - >\$80,000	-23	0	0	0	-23
RES/EI Guaranteed Loan, <\$80,000	-38	0	0	0	-38
RES Combination, >\$600,000	-17	1	1	0	-15
RES Combination, <\$600,000 - >\$200,000	-17	1	1	0	-15
EI Combination, >\$600,000	-33	1	2	0	-30
EI Combination, <\$600,000 - >\$200,000	-33	1	2	0	-30
RES/EI Combination, <\$200,000 - >\$80,000	-48	1	1	0	-46
RES/EI Combination, <\$80,000	-64	2	2	0	-60

Note: Negative numbers indicate a reduction in burden.

*Feasibility Study Grant program was not re-authorized in the 2014 Farm Bill.

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Table 1d. Comparison of Baseline to Final Rule for an Awardee illustrating reduction in burden hours and cost.

REAP Assistance	Burden Hours per Awardee				Averaged Costs per Awardee		
	Baseline	Final Rule	Reduction (-negative)	Percent Decrease	Baseline	Final Rule	Reduction (-negative)
EA/REDA Grants	89	65	-24	27%	\$3,179	\$2,322	-\$857
Feasibility Study Grants	53	0	-53	100%	\$1,893	\$0	-\$1,893
RES Grant, >\$200,000	178	161	-17	10%	\$6,358	\$5,751	-\$607
RES Grant, <\$200,000	105	72	-33	31%	\$3,751	\$2,572	-\$1,179
RES Grant, <\$80,000	105	56	-49	47%	\$3,751	\$2,000	-\$1,750
EI Grant, >\$200,000	139	106	-33	24%	\$4,965	\$3,786	-\$1,179
EI Grant, <\$200,000	119	70	-49	41%	\$4,251	\$2,500	-\$1,750
EI Grant, <\$80,000	103	54	-49	48%	\$3,679	\$1,929	-\$1,750
RES Guaranteed Loan, >\$600,000	249	239	-10	4%	\$8,894	\$8,537	-\$357
RES Guaranteed Loan, <\$600,000 - >\$200,000	235	225	-10	4%	\$8,394	\$8,037	-\$357
EI Guaranteed Loan, >\$600,000	207	186	-21	10%	\$7,394	\$6,644	-\$750
EI Guaranteed Loan, <\$600,000 - >\$200,000	206	185	-21	10%	\$7,358	\$6,608	-\$750
RES/EI Guaranteed Loan, <\$200,000 - >\$80,000	193	170	-23	12%	\$6,894	\$6,072	-\$822
RES/EI Guaranteed Loan, <\$80,000	193	155	-38	20%	\$6,894	\$5,537	-\$1,357
RES Combination, >\$600,000	268	253	-15	6%	\$9,573	\$9,037	-\$536
RES Combination, <\$600,000 - >\$200,000	267	252	-15	6%	\$9,537	\$9,001	-\$536
EI Combination, >\$600,000	242	212	-30	12%	\$8,644	\$7,573	-\$1,072
EI Combination, <\$600,000 - >\$200,000	241	211	-30	12%	\$8,609	\$7,537	-\$1,072
RES/EI Combination, <\$200,000 - >\$80,000	243	197	-46	19%	\$8,680	\$7,037	-\$1,643
RES/EI Combination, <\$80,000	241	181	-60	25%	\$8,609	\$6,465	-\$2,143
Total	3,676	3,050	-626	17%	\$131,307	\$108,946	-\$22,361

*Average cost per awardee = burden hours per awardee multiplied by \$35.72 per hour (which is the 2013 median wage for a financial specialist in the United States).

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Table 1e. Variance of Burden Hours between Baseline and Final Rule Utilizing FY2014 Actual Awardees.

REAP Assistance	FY 2014 Awardee	Baseline Average Burden Hours per Awardee	Final Rule Average Burden Hours per Awardee	Baseline Estimated Total Burden Hours	Final Rule Estimated Total Burden Hours	Percent Decrease
<u>Discretionary Funds of \$12.79 million for FY 2014</u>						
RES/EEI Guaranteed Loans >\$600,000**	4	249	239	996	956	4%
<i>Discretionary Funds Totals</i>	4	249	239	996	956	4%
<u>Mandatory Funds of \$24.7 million of Budget Authority for FY 2014</u>						
RES Grant, >\$200,000	14	178	161	2,492	2,254	10%
EEI Grant, >\$200,000	6	139	106	834	636	24%
RES Grant, <\$200,000	123	105	72	12,915	8,856	31%
EEI Grant, <\$200,000	105	119	70	12,495	7,350	41%
RES Grant, <\$80,000	129	105	56	13,545	7,224	47%
EEI Grant, <\$80,000	142	103	54	14,626	7,668	48%
RES Guaranteed Loans >\$600,000**	15	249	239	3,735	3,585	4%
EEI Guaranteed Loans >\$600,000**	0	207	186	0	0	0%
RES/EEI Combination, <\$200,000 - >\$80,000	1	243	197	243	197	19%
RES/EEI Combination, <\$80,000	1	241	181	241	181	25%
<i>Mandatory Funds Totals</i>	536	1,689	1,322	61,126	37,951	38%
Totals	540	1,938	1,561	62,122	38,907	37%

** In FY 2014 all discretionary funds were for loan guarantee authority for projects with Total Project costs greater than \$600,000 FY2014 Budget Authority of \$24.7 million providing \$12.38 million in grant program level and \$45 million in loan guarantee program level FY2014 Budget Authority of \$3.5 million in discretionary funds was utilized in the loan guarantee program providing a \$12.79 in program level funding.

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Table 1f. Variance of Cost between Baseline and Final Rule Utilizing FY2014 Actual Awardees.

REAP Assistance	FY 2014 Awardees	Baseline Average Cost per Awardee	Final Rule Average Cost per Awardee	Baseline Estimated Total Cost	Final Rule Estimated Total Cost	Percent Decrease
<u>Discretionary Funds of \$12.79 million for FY 2014</u>						
RES/EEI Guaranteed Loans >\$600,000**	4	\$8,894	\$8,537	\$35,577	\$34,148	4%
<i>Discretionary Funds Totals</i>	4	\$8,894	\$8,537	\$35,577	\$34,148	4%
<u>Mandatory Funds of \$24.7 million of Budget Authority for FY 2014</u>						
RES Grant, >\$200,000	14	\$6,358	\$5,751	\$89,014	\$80,513	10%
EEI Grant, >\$200,000	6	\$4,965	\$3,786	\$29,790	\$22,718	24%
RES Grant, <\$200,000	123	\$3,751	\$2,572	\$461,324	\$316,336	31%
EEI Grant, <\$200,000	105	\$4,251	\$2,500	\$446,321	\$262,542	41%
RES Grant, <\$80,000	129	\$3,751	\$2,000	\$483,827	\$258,041	47%
EEI Grant, <\$80,000	142	\$3,679	\$1,929	\$522,441	\$273,901	48%
RES Guaranteed Loans >\$600,000**	15	\$8,894	\$8,537	\$133,414	\$128,056	4%
EEI Guaranteed Loans >\$600,000**	0	\$7,394	\$6,644	\$0	\$0	0%
RES/EEI Combination, <\$200,000 - >\$80,000	1	\$8,680	\$7,037	\$8,680	\$7,037	19%
RES/EEI Combination, <\$80,000	1	\$8,609	\$6,465	\$8,609	\$6,465	25%
<i>Mandatory Funds Totals</i>	536	\$60,331	\$47,222	\$2,183,421	\$1,355,610	38%
Totals	540	\$69,225	\$55,759	\$2,218,998	\$1,389,758	37%

*** In FY 2014 all discretionary funds were for loan guarantee authority for projects with Total Project costs greater than \$600,000 FY2014 Budget Authority of \$24.7 million providing \$12.38 million in grant program level and \$45 million in loan guarantee program level FY2014 Budget Authority of \$3.5 million in discretionary funds was utilized in the loan guarantee program providing a \$12.79 in program level funding.

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Table 1g. Variance of Burden Hours between Baseline and Final Rule Utilizing Estimated FY2015 Awardees.

REAP Assistance	Estimated FY 2015 Awardee	Baseline Average Burden Hours per Awardee	Final Rule Average Burden Hours per Awardee	Baseline Estimated Total Burden Hours	Final Rule Estimated Total Burden Hours	Percent Decrease
<u>Mandatory Funds of \$50 million in Budget Authority for FY 2015</u>						
RES Grant, >\$200,000	42	178	161	7,476	6,762	10%
EI Grant, >\$200,000	8	139	106	1,112	848	24%
RES Grant, <\$200,000	139	105	72	14,595	10,008	31%
EI Grant, <\$200,000	230	119	70	27,370	16,100	41%
RES Grant, <\$80,000	183	105	56	19,215	10,248	47%
EI Grant, <\$80,000	562	103	54	57,886	30,348	48%
RES Guaranteed Loans >\$600,000**	20	249	239	4,980	4,780	4%
RES Guaranteed Loan, <\$600,000 - >\$200,000	6	235	225	1,410	1,350	4%
EI Guaranteed Loans >\$600,000**	3	207	186	621	558	10%
EI Guaranteed Loan, <\$600,000 - >\$200,000	1	206	185	206	185	10%
RES/EI Guaranteed Loan, <\$200,000 - >\$80,000	4	193	170	772	680	12%
RES/EI Guaranteed Loan, <\$80,000	1	193	155	193	155	20%
RES Combination, >\$600,000	4	268	253	1,072	1012	6%
RES Combination, <\$600,000 - >\$200,000	2	267	252	534	504	6%
EI Combination, >\$600,000	1	242	212	242	212	12%
EI Combination, <\$600,000 - >\$200,000	0	241	211	0	0	0%
RES/EI Combination, <\$200,000 - >\$80,000	2	243	197	486	394	19%
RES/EI Combination, <\$80,000	1	241	181	241	181	25%
<i>Mandatory Funds Totals</i>	<i>1,209</i>	<i>3,534</i>	<i>2,985</i>	<i>138,411</i>	<i>84,325</i>	<i>39%</i>

Table 1g. (Continued) Variance of Burden Hours between Baseline and Final Rule Utilizing Estimated FY2015 Awardees.

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REAP Assistance	Estimated FY 2015 Awardees	Baseline Average Burden Hours per Awardee	Final Rule Average Burden Hours per Awardee	Baseline Estimated Total Burden Hours	Final Rule Estimated Total Burden Hours	Percent Decrease
Discretionary Funds \$47.2 million (Program Level) Breakdown for FY 2015						
RES Grant, >\$200,000	8	178.0	161.0	1,424	1,288	10%
EI Grant, >\$200,000	7	139.0	106.0	973	742	24%
RES Grant, <\$200,000	28	105.0	72.0	2,940	2,016	31%
EI Grant, <\$200,000	28	119.0	70.0	3,332	1,960	41%
RES Grant, <\$80,000	38	105.0	56.0	3,990	2,128	47%
EI Grant, <\$80,000	38	103.0	54.0	3,914	2,052	48%
RES Guaranteed Loans >\$600,000**	10	249.0	239.0	2,490	2,390	4%
EI Guaranteed Loans >\$600,000**	5	207.0	186.0	1,035	930	10%
<i>Discretionary Funds Totals</i>	<i>162</i>	<i>1,205.0</i>	<i>944.0</i>	<i>20,098</i>	<i>13,506</i>	<i>33%</i>
Totals	1,371	4,739	3,929	158,509	97,831	38%

FY2015 Budget Authority of \$50 million in mandatory funds and \$10 million in discretionary funds.

FY2015 Budget Authority of 10 million in discretionary funds is anticipated to be utilized for \$5 million for grant funds and \$5 million for loan guarantee authority (\$47.2 million program level)

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Table 1h. Variance of Cost between Baseline and Final Rule Utilizing Estimated FY2015 Awardees.

REAP Assistance	Estimated FY 2015 Awardees	Baseline Average Cost per Awardee	Final Rule Average Cost per Awardee	Baseline Estimated Total Cost	Final Rule Estimated Total Cost	Percent Decrease
Mandatory Funds of \$50 million in Budget Authority for FY 2015						
RES Grant, >\$200,000	42	\$6,358	\$5,751	\$267,043	\$241,539	10%
EI Grant, >\$200,000	8	\$4,965	\$3,786	\$39,721	\$30,291	24%
RES Grant, <\$200,000	139	\$3,751	\$2,572	\$521,333	\$357,486	31%
EI Grant, <\$200,000	230	\$4,251	\$2,500	\$977,656	\$575,092	41%
RES Grant, <\$80,000	183	\$3,751	\$2,000	\$686,360	\$366,059	47%
EI Grant, <\$80,000	562	\$3,679	\$1,929	\$2,067,688	\$1,084,031	48%
RES Guaranteed Loans >\$600,000**	20	\$8,894	\$8,537	\$177,886	\$170,742	4%
RES Guaranteed Loan, <\$600,000 - >\$200,000	6	\$8,394	\$8,037	\$50,365	\$48,222	4%
EI Guaranteed Loans >\$600,000**	3	\$7,394	\$6,644	\$22,182	\$19,932	10%
EI Guaranteed Loan, <\$600,000 - >\$200,000	1	\$7,358	\$6,608	\$7,358	\$6,608	10%
RES/EI Guaranteed Loan, <\$200,000 - >\$80,000	4	\$6,894	\$6,072	\$27,576	\$24,290	12%
RES/EI Guaranteed Loan, <\$80,000	1	\$6,894	\$5,537	\$6,894	\$5,537	20%
RES Combination, >\$600,000	4	\$9,573	\$9,037	\$38,292	\$36,149	6%
RES Combination, <\$600,000 - >\$200,000	2	\$9,537	\$9,001	\$19,074	\$18,003	6%
EI Combination, >\$600,000	1	\$8,644	\$7,573	\$8,644	\$7,573	12%
EI Combination, <\$600,000 - >\$200,000	0	\$8,609	\$7,537	\$0	\$0	0%
RES/EI Combination, <\$200,000 - >\$80,000	2	\$8,680	\$7,037	\$17,360	\$14,074	19%
RES/EI Combination, <\$80,000	1	\$8,609	\$6,465	\$8,609	\$6,465	25%
<i>Mandatory Funds Totals</i>	<i>1,209</i>	<i>\$126,234</i>	<i>\$106,624</i>	<i>\$4,944,041</i>	<i>\$3,012,089</i>	<i>39%</i>

Table 1h. (Continued) Variance of Cost between Baseline and Final Rule Utilizing Estimated FY2015 Awardees.

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REAP Assistance	Estimated FY 2015 Awardees	Baseline Average Cost per Awardee	Final Rule Average Cost per Awardee	Baseline Estimated Total Cost	Final Rule Estimated Total Cost	Percent Decrease
Discretionary Funds \$47.2 million (Program Level) Breakdown for FY 2015						
RES Grant, >\$200,000	8	\$6,358	\$5,751	\$50,865	\$46,007	10%
EI Grant, >\$200,000	7	\$4,965	\$3,786	\$34,756	\$26,504	24%
RES Grant, <\$200,000	28	\$3,751	\$2,572	\$105,017	\$72,012	31%
EI Grant, <\$200,000	28	\$4,251	\$2,500	\$119,019	\$70,011	41%
RES Grant, <\$80,000	38	\$3,751	\$2,000	\$142,523	\$76,012	47%
EI Grant, <\$80,000	38	\$3,679	\$1,929	\$139,808	\$73,297	48%
RES Guaranteed Loans >\$600,000**	10	\$8,894	\$8,537	\$88,943	\$85,371	4%
EI Guaranteed Loans >\$600,000**	5	\$7,394	\$6,644	\$36,970	\$33,220	10%
<i>Discretionary Funds Totals</i>	<i>162</i>	<i>\$43,043</i>	<i>\$33,720</i>	<i>\$717,901</i>	<i>\$482,434</i>	<i>33%</i>
Totals	1,371	\$169,277	\$140,344	\$5,661,941	\$3,494,523	38%

FY2015 Budget Authority of \$50 million in mandatory funds and \$10 million in discretionary funds.

FY2015 Budget Authority of 10 million in discretionary funds is anticipated to be utilized for \$5 million for grant funds and \$5 million for loan guarantee authority (\$47.2 million program level)

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Applications. All entities seeking financial assistance under this program must submit certain information to the Agency in order to apply for a grant, guaranteed loan, or a combined grant and guaranteed loan request. The information submitted assists the Agency in determining the most meritorious projects to be funded.

Awardee Documents and Certifications. Applicants that are approved for funding have to submit additional documents and certifications to the Agency. For applicants receiving loans, the necessary documents are required around loan closing. For applicants receiving grant funds, the applicant must provide the necessary documents in order to execute the grant agreement.

Reporting and Other Servicing Actions. All applicants that are awarded funds must submit reports to the Agency to provide information on their performance. In addition, some grantees will be required to submit other documents in the event of poor performance or if servicing actions other than monitoring are warranted (e.g., transfer of ownership).

Appeals. Applicants will also incur burdens associated with reviews and appeals.

Universe of Affected Parties

The parties affected by the REAP final rule will be lenders, grantees, and borrowers. The type of applicant eligible for this program depends on the type of financial assistance being sought.

If seeking a RES/EEI grant or guaranteed loan, the applicant must be either:

- An agricultural producer or
- A rural small business.

If seeking an EA or REDA grant, the applicant must be:

- A unit of a state, tribal or local government;
- A land-grant college or university, or other institution of higher education;
- A rural electric cooperative;
- A public power entity;
- A council as defined in 16 U.S.C 3451; or
- An instrumentality of a state, tribal, or local government.

All applicants for grants or guaranteed loans that have received one or more grants or guaranteed loans under REAP must demonstrate that they have made satisfactory progress

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toward completion of the projects before they can be considered for subsequent funding.

Between fiscal years 2009 and 2013, 13,656 applications were received, of which 13,172 were for RES/EEI projects, 298 for Feasibility Study grants, and 186 for EA/REDA grants (Refer to Table 2). Of the 13,172 RES/EEI applications, 10,501 were for grants only and 2,631 were grant/guaranteed loan combined funding requests.

Table 2. Number of Applications.

	FY 09	FY 10	FY 11	FY 12	FY 13	Total
RES/EEI, Grant Only	1,688	2,838	3,330	1,384	1,261	10,501
RES/EEI, Guarantee Loan Only	3	6	12	10	9	40
RES/EEI, Combination Guarantee Loan & Grant	901	1,445	261	13	11	2,631
Feasibility Study Grant	82	17	148	24	27	298
EA/REDA	85	40	34	27	0*	186
Total	2,759	4,346	3,785	1,458	1,308	13,656

*There was no REDA/EA grant program in FY2013 due to funding not being available prior to statutory program deadline.

In terms of the types of applicants, the Agency estimates that for RES/EEI projects applicants will be private entities, other than individuals, including sole proprietors, which were previously counted as individuals. For EA/REDA grants, the Agency estimates that the applications will evenly split between private entities, other than individuals, and state,

local, and tribal governments.

Project Types

Overall, 8,399 awards were made from fiscal year 2009 through fiscal year 2013 under the REAP program (see Table 3). The majority of funding issued was for grants. The awards were broken down as follows: 7,212 RES/EEI grants, plus the 85 EA/REDA grants, plus 166 feasibility study grants, for 7,463 total REAP grants, followed by 905 combined grants and guaranteed loan awards and 31 guaranteed loan only awards.

For grants, there were 4,800 EEI grant awards, 2,412 RES grant awards, 85 EA and REDA grant awards, and 166 feasibility study awards. Of the RES grant awards, the majority are for solar projects (1,556), followed by wind (314), geothermal (226), bioenergy projects (168), and flexible fuel pumps (99).

For combined funding awards, the majority involved energy efficiency improvements (699), with 206 involving renewable energy systems. Of the combined renewable energy system funding projects, 95 involved wind, 51 involved solar, and 27 involved anaerobic digesters.

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**Table 3: Award Counts for Rural Energy for America Program - RES and EEI Projects
(FY 2009 through FY 2013)**

Award Counts for Renewable Energy System, Energy Efficiency Improvements, Flexible Fuel Pumps, Energy Audit and Renewable Energy Development Assistance, and Feasibility Study														
Funding	Wind	Biomass		Solar	Geothe rma l	Hydro- gen	Hydropower		Hybrid	Flexible Fuel Pumps	Energy Efficien cy	EA/ REDA	Feasibi lity Study	Total
	wind	Bioen- ergy	Digest -ers	Solar	Electr ic/ Direct	Hydro- gen	Hydro- electr ic	Ocean						
USDA Loan Guarantees: 2009-2013	6	9	1	6	0	0	4	0	0	0	5	0	0	31
USDA Grants: 2009-2013	314	143	25	1,556	226	0	25	0	24	99	4,800	85	166	7,463
USDA Combo Grants and Loan Guarantees: 2009-2013	95	22	27	51	6	0	2	0	3	0	699	0	0	905
Totals	415	174	53	1,613	232	0	31	0	27	99	5,504	85	166	8,399

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Project size

The statutory authority stipulates that EA and REDA grants are to receive 4 percent of program funds and grants of less than \$20,000 are to receive 20 percent of funds. This leaves at least 76 percent of the budget authority for renewable energy systems and energy efficiency improvement grants, loan guarantees, and combination loan guarantees and grants.

Program Funding

The 2014 Farm Bill appropriates \$50 million of mandatory funding for REAP in each fiscal year. The Agency estimated the distribution of the types of project awards that funding will support. The funding distribution is based on historical distribution of REAP funds and shown below in Table 3.

Table 4: Estimated distribution of REAP awards per fiscal year

FY2105	Total	RES/EEI Grants		RES/EEI Guaranteed Loans		Grants <\$20,000		EA/REDA Grants	
		Per-cent	Total	Per-cent	Total	Per-cent	Total	Per-cent	Total
Mandatory Funding (millions)	\$50.0	60%	\$30.2	16%	\$7.8*	20%	\$10.0	4%	\$2.0
Projects	1,393	35.8%	499	4.3%	60**	59.0%	822	1.6%	22

* Presented in budget authority.

** Include 10 combinations which are also counted under RES/EEI grants therefore the total number of projects does not reflect the dual funding request.

5. Estimation of Costs

In this section, the Agency presents a discussion on the changes to the burden and costs associated with the main changes described earlier in this RIA.

Grant applications for RES/EEI projects with total project costs of \$80,000 or less.

Under the baseline, there are two grant application levels for RES/EEI projects: one for projects with total project costs of more than \$200,000 and another for projects with total project costs of \$200,000 or less. The 2008 Farm Bill required the Agency to set aside not less than 20 percent of program funds for grants of \$20,000 or less. Thus, the Agency examined ways to create a more simplified grant application for those RES/EEI projects with total project costs of \$80,000 or less. (NOTE: Since the maximum grant is 25 percent of total project costs, projects at \$80,000 threshold would be the project size to maximum grant participation for applicants seeking to take advantage of the set-aside for projects seeking grants of \$20,000 or less

As part of the Department's retrospective review plan, the agency conducted a review of the application requirements and program, the Agency developed a new grant application process

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and forms for RES/EEI projects. These new provisions reduce the application burden for projects based on project costs, while still providing the Agency sufficient information to determine applicant and project eligibility and to evaluate and score the applications.

Specifically, the final rule defines three grant application processes for RES/EEI projects: (1) projects with total project costs of \$200,000 and greater, (2) projects with total projects cost of less than \$200,000, but more than \$80,000, and (3) projects with total project costs of \$80,000 or less. With these changes, RES/EEI projects with smaller total project costs will have less burden and lower administrative costs.

The Agency estimates that, for the average applicant, the number of hours required to prepare a RES or EEI grant application for a project with total project costs of \$80,000 or less would be reduced from 82 hours to 35 hours, for a 57 percent reduction. Assuming an average hourly rate of \$35.72 per hour (2013 median wage for a financial specialist in the United States), the savings would be \$1,679 per application.

Table 5 summarizes the estimated savings to RES and EEI grant applicants for all changes associated with the application: the

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application narrative, adjusting the forms and certifications to be submitted with the application, simplifying the technical report, and using energy assessment instead of energy audits for all EEI projects with total project costs of \$80,000 or less.

Table 5. Estimated Application Savings for RES and EEI Grant Applications for Projects with Total Project Costs of \$80,000 or less

Item	RES Grant Applications	EEI Grant Applications	
		98 (with Energy Audit under baseline)*	82 (with Energy Assessment under baseline)
Burden under the baseline, hours per application	82	98 (with Energy Audit under baseline)*	82 (with Energy Assessment under baseline)
Estimated burden under the Final Rule, hours per application	35	35	35
Burden savings, hours per application	47	63	47
Cost savings per application**	\$1,679	\$2,250	\$1,679

NOTE 1: Burden hours from tables 1a and 1b.

* Energy Audit account for 16 burden hours and was required for baseline projects with total project costs of \$50,000 or greater.

** Cost savings based on \$35.72 per hour (as used in the burden package)

Grant Forms After Receiving Funding

The Agency has identified certain forms that do not need to be submitted at the time of application for an RES or EEI grants and were more appropriately required only if the applicant is awarded funding. While this shifts burden from application to award, there would be a net decrease in the burden because there are fewer awardees than applicants so fewer entities would incur

the cost of preparing these forms. This impact is only 1.5 hour reduction per awardee.

Technical reports.

The baseline requires very specific information for different technologies. The information being requested, however, is not always needed for the Agency to make a determination of a project's technical feasibility. In addition, the Agency split several technologies by size, which upon review, the Agency has determined it is not important for determining a project's technical feasibility. In sum, the Agency is finalizing numerous changes to the technical reports, which will reduce the applicant burden for RES/EEI grant or loan applications. These changes including, but not limited to:

- Simplifying the energy efficiency improvement technical report;
- Simplifying the technical report for renewable energy system projects with total project costs of less than \$200,000, but more than \$80,000;
- Revising provisions associated with what is required for an energy assessment and an energy audit;
- Providing for a single technical report option for renewable energy systems submitted through the process for

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applications for projects with total project costs of less than \$200,000, but more than \$80,000; and

- Eliminating the distinction between large and small solar and wind projects in preparing the technical reports.

All of the changes to the technical report requirements should reduce applicant burden. The burden package for the baseline estimated the number of hours that it would take the applicant to complete the technical report for “full” applications (i.e., applications for projects with total projects costs of \$200,000 and greater) and for “simplified” applications (i.e., applications for projects with total project costs of less than \$200,000).

Under the baseline, the Agency’s burden estimate for preparing the RES and EEI project technical reports is 25 hours for the full and simplified applications. Under the final rule, the Agency’s burden estimate for project costs greater than \$200,000 is 25 hours per RES and EEI technical reports. For project costs between \$80,000 and \$200,000, the Agency’s burden estimate to prepare a RES or EEI technical report is 20 hours.

Assuming an average hourly wage rate of \$35.72 per hour, the

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savings would be \$179 per technical report for all applications, with the exception of except for RES applications project costs \$200,000 or greater, because the requirements are the same under the final rule. Table 6 summarizes the technical report estimates of savings for applications for projects with total project costs of more than \$80,000.

Table 6. Estimated Technical Report Savings for RES and EEI Grant and Loan Applications for Projects with Total Project Costs of More than \$80,000

Item	Applications for Projects with Total Project Costs \$200,000 and greater		Applications for Projects with Total Project Costs of less than \$200,000, but more than \$80,000		Applications for Projects with Total Project Costs of \$80,000 or less	
	RES	EEI	RES	EEI	RES	EEI
Burden the baseline program, hours per application	25	25	25	25	25	25
Estimated burden under Final Rule, hours per application	25	25	20	20	0	0
Burden savings, hours per application	0	0	5	5	25	25
Cost savings per application	\$0	\$0	\$179	\$179	\$893	\$893

NOTE: For applications for projects with total project costs of \$80,000 or less the technical report is part of the application narrative eliminating a separate formal technical report.

Pre-commercial technology

The current renewable energy system program allows the Agency to provide financial assistance to project employing pre-commercial technology and to projects employing commercial technology. While the vast majority of renewable energy system projects funded under REAP have been for those employing commercial technology, there is a possible overlap between the Section 9003, Biorefinery Assistance Program, with REAP as it concerns pre-commercial technology. The risk associated with pre-commercial technology is greater as well and for these reasons, the Agency is removing pre-commercial technology as an eligible technology under REAP, thereby limiting REAP assistance for renewable energy systems employing commercially available technologies.

The Agency has not quantified any expected change in the cost of administering REAP as a result of this change. In addition, the Agency does not expect this change to have a significant effect on the subsidy rate; however, to the extent that risk has been lowered to loans for pre-commercial technologies, the portfolio of loans should be strengthened.

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Federal Government

The Agency estimates that it will spend approximately \$ 4 million less (See Table 7) to process and administer REAP applications and awards under the final rule compared to under the baseline program.

Table 7. Estimated Cost to the Federal Government

	Baseline Cost to Federal Government	Estimated Final Rule Cost to the Federal Government	Estimated Cost Savings
Number of Hours: Guaranteed Loans	27,376	2,639	24,737
Number of Hours: Grants	155,997	85,011	70,986
Number of Hours: Total	183,373	87,650	95,723
Dollar Cost: Guaranteed Loans	\$1,149,792	\$110,838	\$1,038,954
Dollar Cost: Grants	\$6,848,844	\$3,570,462	\$3,278,382
Dollar Cost: Total	\$7,998,636	\$3,681,300	\$4,317,336

Note: The average hourly rate applied was \$42 an hour for both the baseline and the final rule. That rate is based on the fact that reviews are completed by GS 11-12 State Loan Specialists.

This represents a 54 percent decrease in total costs. While the main reason for the decrease is related to the review of 43 percent fewer applications which is due to the reduced funding, the Agency will also save over \$2,300,000 attributable to the

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reduce costs associated with RES and EEI grant applications review, with the largest decrease associated with applications for projects with total project costs of \$80,000 or less. Specifically, the Agency estimates that it would take approximately 95,716 fewer hours under the final rule to review and process RES/EEI grant applications than under the baseline program. This reduction is achieved by requiring 10 fewer hours per application on grant applications for projects with total project costs of \$80,000 or less and 5 fewer hours grant applications with total project cost between \$80,000 and \$200,000. These reductions are attributed to the reduced amount of information requested.

An example is the Agency reduced the amount of information requested in a technical report for the smaller projects to the critical information needed to determine technical merit. Under the baseline program the Agency, or contractor, reviews and scores all 10 sections of the technical report. The scoring, or technical merit determination, required the reviewer to assign a quantitative value to each section from no significant weaknesses, and exceeds the requirements to having serious deficiencies, internal inconsistencies, or is missing information. The revised technical report has 4 sections and technical merit determination is either a pass, with information

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is presented and consistent; or fails, with information missing or inconsistent.

Summary of Cost Savings

Table 8 summarizes the cost changes per type of RES/EEI application.

Table 8. Cost Changes for RES/EEI Grants²

Item	GRANT APPLICATIONS						
	Applications for Projects with Total Project Costs \$200,000 and Greater		Applications for Projects with Total Project Costs less than \$200,000, but more than, \$80,000		Applications for Projects with Total Project Costs of \$80,000 or less		
	RES	EEI	RES	EEI	RES	EEI	EEI
Burden under the baseline REAP program, hours per grant application	142	118	82	98	82	98; with energy audit	82; no energy audit
Estimated burden under Final Rule, hours per grant application	125	85	50	50	35	35	35

²There are several relatively minor grant application changes that are not accounted for in the changes described in the RIA for projects with total project costs greater than \$80,000, but are accounted for in Table 8.

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Item	GRANT APPLICATIONS						
	Applications for Projects with Total Project Costs \$200,000 and Greater		Applications for Projects with Total Project Costs less than \$200,000, but more than, \$80,000		Applications for Projects with Total Project Costs of \$80,000 or less		
	RES	EEI	RES	EEI	RES	EEI	EEI
Burden savings, hours per grant application	17	33	32	48	47	63	47
Cost differences per grant application	-\$607	-\$1,179	\$1,143	\$1,715	\$1,679	\$2,250	\$1,679

GUARANTEED LOAN APPLICATIONS ³				
Item	Guaranteed Loans >\$600,000		Guaranteed Loan <\$600,000	
	RES	EEI	RES	EEI
Burden under the baseline REAP program, hours per loan application	145	116	144	115
Estimated burden under Final Rule, hours per loan application*	135	95	134	94
Burden difference, hours per loan application	10	21	10	21
Cost difference per loan application	\$357	\$750	\$357	\$750

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* Note: Guaranteed Loans of <\$600,000 for estimated burden under the final rule is a weighted average of the different application threshold requirement for total projects costs of >\$200,000, <\$200,000 and <\$80,000K

6. Estimation of Benefits

Changes to the application and eligibility criteria for REAP are not anticipated to have significant changes in the types of benefits achieved by the program. As such, this rule is not expected to result in any new benefits that would not have been achieved under the current REAP provisions.

7. Net Benefits

The types of benefits under the final rule are not expected to differ significantly from those that occur under the current program provisions. However, due to a reduction in burden associated with the application process under the final rule, there will be a net savings afforded to applicants and to the federal government as a result of streamlining and reduced burden resulting in a net benefit.

Using the estimate of cost for the baseline burden currently published and the changes per respondent and the estimate of the number of respondents affected by this rulemaking, the net benefits or savings of this rule are estimated to be approximately \$10 million in Fiscal year 2015 (see Table 9a). The main reason for this large reduction is the anticipated

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reduction in applications for the program due to funding decrease for the program in the 2014 Farm Bill.

Table 9a. Comparison Respondents Costs between Baseline and Final Rule

	Baseline*	Final Rule*	Difference
RES/EEI Grants	\$9,173,002	\$3,509,071	-\$5,663,931
RES/EEI Guaranteed Loans	\$90,014	\$273,882	\$183,868
RES/EEI Grant/Guaranteed Loan Combinations	\$4,347,833	\$57,079	-\$4,290,754
Feasibility Study Grant	\$335,469	\$0	-\$335,469
EA/REDA	\$48,168	\$95,048	\$46,880
Totals	\$13,994,486	\$3,935,081	-\$10,059,406

* Final Rule and Baseline Respondent Cost = hours per respondent x number of respondents x \$35.72 per hour

Because the existing baseline burden has significantly more applications than the estimated burden under the final rule, the Agency completed an analysis in Table 9b below, to compare the costs between baseline burden and the final rule based upon the average number of applications received in fiscal years 2012 and 2013, which can be found in Table 2.

Table 9b. Comparison of respondent costs between baseline and final rule using the two year average of applications received.

	2012/2013 Average	Baseline*	Final Rule*	Difference
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	# of Rec'd Applications			
RES/EEI Grants	1,323	\$4,312,680	\$2,495,969	-\$1,816,711
RES/EEI Guaranteed Loans	10	\$60,009	\$54,776	-\$5,233
RES/EEI Grant/Guaranteed Loan Combinations	12	\$64,812	\$68,495	\$3,683
Feasibility Study Grant	26	\$24,639	\$0	-\$24,639
EA/REDA	14	\$20,435	\$12,673	-\$7,762
Totals	1,385	\$4,482,576	\$2,631,913	-\$1,850,662

* Baseline and Final Rule Respondent Cost = hours per respondent x number of respondents x \$35.72 per hour

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The Agency completed an analysis in Table 9c below, to compare the costs between baseline burden and the final rule based upon the projected number of applications to be received in fiscal year 2015.

Table 9c. Comparison of respondent costs between baseline and final rule using the applications projected to be received under the new rule.

	Applications FY 2015	Baseline*	Final Rule*	Difference
RES/EEI Grants	1,860	\$6,063,179	\$3,509,071	-\$2,554,108
RES/EEI Guaranteed Loans	50	\$300,046	\$273,882	-\$26,164
RES/EEI Grant/Guaranteed Loan Combinations	10	\$54,010	\$57,079	\$3,069
Feasibility Study Grant	0	\$0	\$0	\$0
EA/REDA	105	\$153,262	\$95,048	-\$58,214
Totals	2,025	\$6,570,497	\$3,935,081	-\$2,635,417

* Baseline and Final Rule Respondent Cost = hours per respondent x number of respondents x \$35.72 per hour

8. Distribution Effects

The REAP rule will result in economic impacts with short-term and long-term benefits. The changes being made by the final rule do not affect the size or nature of these impacts. The REAP rule does result in subsidy distribution effects. The following discussion on subsidy implications, which applies to

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REAP at the program level, is presented below.

Economic Analysis

Farm Bill mandatory and discretionary grant and loan guarantee amounts for fiscal years 2014 and 2015 are given in the 2015 President's Budget Pro Sum. Projected mandatory loan levels for fiscal years 2016 through 2018 are established by the policy of growing the loan program \$50 million each year after fiscal year 2015. An economic analysis detail in Table 10a shows the net present value (NPV) of these funds using a 3 percent discount equals \$159 million for grant funds and \$725.9 for guaranteed loans funds. The same funds have a NPV of \$149.3 million for grant and \$662.5 million for guaranteed loan using a 7 percent discount in table 10b.

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Table 10a.

Present value table (annuity) 5 years at 3% 3% Discount	Farm Bill Funds (Mandatory)		Discretionary Funds	
	Grant	Guaranteed Loan	Grant	Guaranteed Loan
2014 estimated	\$40,000,000	\$94,517,958	\$0	\$12,760,000
2015 estimated	\$38,271,845	\$97,087,379	\$4,854,369	\$45,882,504
2016 estimated	\$32,170,798	\$141,389,386	\$2,356,490	\$22,273,060
2017 estimated	\$26,392,685	\$183,028,332	\$2,287,854	\$21,624,330
2018 estimated	\$22,212,176	\$209,944,955	\$2,221,218	\$20,994,495
TOTAL 5 year 3% Net present value (NPV)	\$159,047,505	\$725,968,010	\$11,719,930	\$123,534,390
Annualized value for 3% discount rate	\$34,726,529	\$158,508,299	\$2,558,937	\$26,972,574

Table 10b.

Present value table (annuity) 5 years at 7% 7% Discount	Farm Bill Funds (Mandatory)		Discretionary Funds	
	Grant	Guaranteed Loan	Grant	Guaranteed Loan
2014 estimated	\$40,000,000	\$94,517,958	\$0	\$12,760,000
2015 estimated	\$36,841,121	\$93,457,944	\$4,672,897	\$44,167,270
2016 estimated	\$29,810,464	\$131,015,809	\$2,183,597	\$20,638,911
2017 estimated	\$23,542,031	\$163,259,575	\$2,040,745	\$19,288,702
2018 estimated	\$19,072,380	\$180,268,245	\$1,907,238	\$18,026,824
TOTAL 5 years 7% Net present value (NPV)	\$149,265,996	\$662,519,532	\$10,804,477	\$114,881,708
Annualized value for 7% discount rate	\$36,406,341	\$161,590,130	\$2,635,238	\$28,019,929

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A subsidy rate of 10.58 percent is used for fiscal years 2015 and beyond. The mandatory grant amount is then the balance of the \$50 million less the budget authority required to support the desired loan level for each year. Fiscal year 2018 assumes an equal balance of \$25 million mandatory grant and \$25 million in mandatory loan guarantee budget authority.

Discretionary funds are assumed to be \$10 million equally split between grant and loan guarantee assuming the 10.58 percent subsidy rate. This would provide program levels of \$5 million for grants, and \$47 million for loan guarantees totaling the \$52 million in program level for FY 2015.

Program Benefits

REAP provides a grant of up to \$500,000 or 25 percent of eligible project costs (EPC) (whichever is less) for renewable energy systems and up to \$250,000 or 25 percent of EPC (whichever is less) for energy efficiency improvements. REAP also provides loan guarantees of up to \$25 million or 75 percent of EPC for both renewable energy systems and energy efficiency improvements. A REAP grant and loan combination may not exceed 75 percent of EPC. While REAP recipients are the direct beneficiaries of the program subsidy, the benefits to other

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program participants, albeit indirectly, are no less significant.

The indirect beneficiaries of REAP include the many technology providers of renewable energy systems (i.e., wind, solar, geothermal, biomass, etc.) and energy efficiency improvements (grain dryers, reverse osmosis filtration, poultry house heating, irrigation pumps, etc.), lenders (particularly for projects with total eligible costs of \$200,000 and greater), energy service suppliers (such as project engineers, energy auditors, feasibility service providers), as well as local and state governments. The energy generated or saved from REAP RES-EEI projects add value to recipient rural small businesses and to agricultural producer operations and increase the local and state tax base commensurately.

Project matching funds have both a positive wealth effect and an environmentally beneficial substitution effect on rural communities. Collectively as leveraged investments, matching funds create a multitude of secondary and tertiary employment opportunities, business startups in rural areas, and serve as incubators to new green technologies which offset fossil fuel use and reduce GHG emissions.

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REAP program impacts are broadly diffused by the allocation distributed to each state and province. REAP also authorizes (State Directors and the Administrator) the use of (up to 10) Administrative Discretionary Priority Points in cases where the application is for an under-represented technology, would help achieve geographic diversity, the applicant is a member of an under-represented or under-served population, furthers an agency goal, or the proposed project is located in an impoverished area, has experienced long-term population decline, or loss of employment. The intent of these measures is to ensure that REAP investments are broadly distributed across the entire U.S.

Program benefits, leveraged funds, and the use of the state allocation and Administrative Points work together to ensure that the REAP subsidy benefits accrue broadly and more or less proportionately across all program participants: recipients, technology providers, lenders, service providers, and ultimately to local rural communities and state governments.

Anticipated Subsidy Implications.

The subsidy rate is primarily affected by two major cash flow streams – cash inflow and cash outflow. The Rural Energy for America Program contains provisions that affect both the expected cash inflows and outflows. The effect of these

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provisions on the subsidy rate of the Rural Energy for America Program is presented qualitatively and has not been quantified.

Cash Inflow

The basic relationship between cash inflow and subsidy rate is as cash inflow increases, the subsidy rate decreases; as it decreases, the subsidy rate increases. The Rural Energy for America Program provides two mechanisms for generating cash inflow - the guarantee fee and the annual renewal fee.

Guarantee fee. The Rural Energy for America Program allows the Agency to collect a one-time, upfront fee for each loan guarantee. Under REAP, the guarantee fee will be identified by RD each fiscal year in a Federal notice.

Renewal fee. The Rural Energy for America Program also allows for the collection of an annual renewal fee. As for the guarantee fee, the annual renewal fee will be identified by RD each fiscal year in a Federal notice.

Thus, the subsidy rate of the Rural Energy for America Program will be affected based on the level of fees collected, with higher fees resulting in a lower subsidy rate (all other things being equal) by increasing the cash inflow.

Cash Outflow

The basic relationship between cash outflow and subsidy rate is as cash outflow increases, the subsidy rate increases; as it decreases, the subsidy rate decreases. There are several

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provisions (e.g., associated with collateral and loss resulting from transfer) in the Rural Energy for America Program that are expected to control and reduce cash outflow as affected by loan defaults and net loss claims paid. On an individual basis, each provision is expected to have a relatively small effect on the overall subsidy rate.

Summary

The subsidy rate is primarily affected by two major cash flow streams - cash inflow and cash outflow. The effect of the Rural Energy for America Program on cash inflow will depend on the implementation of both the guarantee fee and annual renewal fee and at what levels. Several provisions are intended to help reduce cash outflow associated with loan defaults and loss payments.

9. Summary

REAP, section 9007 of Title IX of the 2008 Farm Bill, is part of a series of 2008 Farm Bill sections designed to encourage the development of renewable energy. Under REAP, the Agency provides grants, loan guarantees, and combined grants and loan guarantees for RES and EEI projects; and grants for EA and REDA. Eligible applicants for RES/EEI are agricultural producers and rural small businesses. For EA and REDA grants, eligible entities are units of a state, tribal or local government; land-

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grant colleges and universities, and other institution of higher education; rural electric cooperatives; public power entities; Resource Conservation and Development Councils and instrumentalities of a state, tribal, or local government.

For fiscal year 2015, the Agency estimates that approximately 1,393 REAP awards will be made: 487 RES awards, 884 EEI awards, and 22 EA/REDA awards. Of the RES awards, the vast majority are expected to be associated with solar, followed by wind and biomass projects. Few guaranteed loan only awards are anticipated to be made. The awardees are expected to be mostly businesses, including sole proprietors, who were previously counted as individuals, with relatively few state, local, and tribal government entities.

This RIA calculates a net costs savings due to improvements in the implementation of the REAP program. It is not expected that the benefits from the REAP program will change under the streamlined procedures in the final rule, and so the net benefits achieved by the rule are attributed only to the decreased cost estimated for the changes in program implementation. While there are expected to be job benefits from REAP funding, these jobs were not quantified.