

May 29, 2009

TO: State Directors, Rural Development

ATTN: Business Program Directors
Energy Coordinators

SUBJECT: Section 9007, Rural Energy for America Program
Program Guidance for Fiscal Year 2009

The purpose of this Unnumbered Letter (UL) is to provide guidance for receiving and processing Section 9007 loan and grant application requests. The following notes the changes for fiscal year (FY) 2009 program delivery.

I. State Allocations.

Rural Energy for America Program (REAP) funds are being allocated for the first time. The total amount of appropriated funds for FY 2009 is \$60,000,000. After deducting reserves for feasibility studies, energy audits and renewable energy development assistance, grants of \$20,000 or less, and the National Office REAP Reserve, \$27,717,600 is allocated to the States following the methodology and formula stated in RD Instruction 1940-L, section 1940.588, and presented as budget authority, not program level.

REAP Allocation

Energy Audit & REDA	4%	\$ 2,400,000
Feasibility Study	10%	\$ 6,000,000
Grants of \$20,000 or less	20%	\$12,000,000
State Allocation	46.2%	\$27,717,600
National Office REAP Reserve	19.8%	\$11,882,400
Total	100%	\$60,000,000

EXPIRATION DATE:
May 30, 2010

FILING INSTRUCTIONS:
Community/Business Programs

The total State allocation was then subdivided into four sub-allocations for grant-only, guaranteed loan-only, combination guaranteed loan portion, and combination grant portion. Funds may not be transferred between sub-allocation categories. A base allocation of \$50,000 was used for the total State allocation. See State allocations attached in Exhibit A.

The grant funds for energy audits, feasibility studies, and grants of \$20,000 or less are not being allocated to the States. See section IV of this UL for further guidance.

States should utilize the spreadsheet attached as Exhibit B to track State obligations of Section 9007 guaranteed loans and grants. The spreadsheet will be used for requesting funds from the National Office REAP Reserve. Each State Office will receive an electronic version of the spreadsheet. The funds will be allocated to each State as indicated in Exhibit A through the Program Funds Control System (PFCS). There will be only one account for loan and one for grant funds. The combination loans and grants will not have a separate account in PFCS. Therefore, you must ensure that combination loan and grant funds are tracked accordingly and the funds are not used for loan or grant only projects.

II. Pooling of funds.

All allocated REAP grant-only, loan-only, and loan/grant combination funds not obligated by the close of business September 8, 2009, will be pooled and revert to the National Office REAP Reserve and made available to States on a competitive basis. The funding priority for applications after pooling will be:

- a. grants of \$20,000 or less if 20 percent has not been reached;
- b. loan only;
- c. grant and loan combinations; and
- d. grant applications.

Any funds that are deobligated after the pooling date will also revert to the National Office REAP reserve. States are to immediately notify the National Office of any deobligations by sending a copy of Form RD 1940-10, "Cancellation of U. S. Treasury Check and/or obligation," to the National Office Energy Division, Attention: Kelley Oehler, at Kelley.oehler@wdc.usda.gov with a copy to Tony Ashby at Anthony.Ashby@wdc.usda.gov.

III. National Office REAP Reserve for Loans, Grants, and Loan/Grant Combinations.

National Office REAP reserve funds will not be made available to States for grant-only requests prior to pooling. There will be one funding cycle for grant-only requests which will take place after pooling on September 8, 2009. In order for projects to compete in

the funding cycle, the request for REAP Reserve funds must be received in the National Office by August 31, 2009.

Requests for National Office REAP reserve funds for loan-only and loan/grant combination requests may be made at any time. Reserve funds for loan-only requests will be allocated to States on a weekly competitive basis and loan/grant combination requests will be allocated to States on a competitive basis using priority scores of the applications on the 15th and the last of day of each month. If a loan only application is above the State's approval authority and is submitted to the National Office for their review and concurrence, the loan will automatically compete for reserve funds after it is approved by the Committee. The cut-off to request loan only reserve funds, is noon eastern time each Friday. All applications must be competitively selected and the highest priority projects funded with State allocations to the extent possible. To ensure equitable competition and high quality projects, the grant portion of a combination application must score at least 20 points for technical merit. National Office REAP reserve funds may only be requested when the State Office allocation is not sufficient to fund projects ready to be obligated.

All States will be notified of the project selections. For projects not selected, States should contact the grantees and/or lenders to advise them and remind them that their application will be considered in the next funding cycle.

The State Director or designee may request funds from the National Office REAP reserve (loan-only and combinations) by emailing a copy of:

1. The priority score sheet, Exhibit C, with sufficient narrative justification for the score assigned. Projects with priority score sheets that lack sufficient documentation to determine if the score assigned was accurate will be held at National Office until sufficient documentation is received, which may delay the project from being funded;
2. A copy of the executed project summary-checklist for a grant request, (a sample will be provided by National Office under a separate communication);
3. An electronic Legislative and Public Affairs Staff (LAPAS) Project Selection Information sheet which has been updated to include program specific data; and
4. Completed Exhibit B "Rural Energy for America Obligation Tracking and Request for National Office REAP Reserve Funding." Exhibit B must include a list of projects funded this fiscal year and those applications currently on hand. **A request for funding should not be submitted unless the project is ready to be obligated.**

Requests for National Office REAP reserve funds should be e-mailed to: Kelley Oehler, at Kelley.Oehler@wdc.usda.gov with a copy to Tony Ashby, at Anthony.Ashby@wdc.usda.gov. The National Office will acknowledge receipt of e-mail requests.

IV. National Office REAP Reserve for Feasibility Studies, Energy Audits and Grants of \$20,000 or less.

a) Grants of \$20,000 or less:

The 2008 Farm Bill requires that not less than 20 percent of funds shall be available for grants of \$20,000 or less. The reserve funds for these grants will be accessible to the States on the 15th and the last of day of each month prior to August 31, 2009. The Agency has set aside approximately \$2 million for each funding period. Applications not funded during a given period, will be carried over to compete in the next funding period. Requests received in the National Office after August 31, 2009, will be held until pooling. Requests for grants of \$20,000 or less must provide:

1. The priority score sheet, Exhibit C, with sufficient narrative justification for score assigned, Projects with priority score sheets that lack sufficient documentation to determine if the score assigned was accurate will be held at the National Office until sufficient documentation is received, which may delay the project from being funded;
2. A copy of executed summary-checklist for a grant request;
3. An electronic LAPAS Project Selection Information sheet.

Any unused funds after August 31, 2009, will be pooled and revert to the National Office REAP reserve.

b) Feasibility Study:

The authority for grants to agricultural producers, or rural small businesses to conduct feasibility studies for projects eligible for REAP financing is provided in the published Federal Register Notice. All applications are due in the State Offices by July 31, 2009, and in the National Office by August 14, 2009. The National Office will review and prioritize all applications, and fund in priority score order. Any funds remaining after this process will revert to the National Office REAP reserve.

c) Energy Audit:

The authority for energy audit grants is provided under section 9007(a)(1) of the statute and further described in the Notice of Solicitation of Applications, for Inviting Applications for Energy Audits and Renewable Energy Development Assistance (EA/REDA), under the Rural Energy for America Program, dated March 11, 2009. All applications are due in the State Offices by June 9, 2009, and then in the National Office by July 1, 2009. The National Office will review and prioritize all applications, and fund in priority score order. Any funds remaining after this process will revert to the National Office REAP reserve.

The State Director or designee will submit EA/REDA and feasibility studies requests to the National Office with the following documents:

1. LAPAS Project Information sheet;
2. Project Summary/(checklist); and
3. Priority Score sheet with sufficient narrative justification for score assigned. Projects with priority score sheets that lack sufficient documentation to determine if the score assigned was accurate will be held at National Office until sufficient documentation is received, which may delay the project from being awarded.

All requests must be emailed to Kelley Oehler with a copy to Tony Ashby. The National Office will acknowledge receipt of e-mail requests. The electronic files must be labeled and include the date as follow:

- Use your States abbreviation as the first characters of the electronic file;
- The applicants name next, using last name if individual or the company name;
- C for combination, G for Grant, or L for guaranteed loan;
- Projsum for the project summary-checklist or other document reference as listed below; and
- For the Reserve Funding Request, include the date of the request.

The following are examples of how the files should be named:

DC Oehler Kelley C projsum 6 15 09.doc
DC Energy Systems Inc C projsum 6 15 09.doc
DC Oehler Kelley C Score 6 15 09.xls
DC Oehler Kelley C LAPAS 6 15 09.doc
DC Reserve Funding Request 6 15 09.xls

All the funds for energy audits, feasibility studies, and grants of \$20,000 or less will be retained in National Office, separate from the National Office REAP reserve. States will not use allocated funds to fund feasibility studies, energy audits and grants of \$20,000 or less. Any funds remaining in any of these reserves after September 8, 2009, will be combined with the National Office REAP reserve and become available for projects in priority order noted in Section III.

V. Loan Approval Authority:

Each state has been delegated specific authority by memorandum signed by the Administrator. The State's delegated authority is the same for both the REAP and Business and Industry programs. The delegated authority will remain in effect as long as the Program Director remains in that position or the authority is otherwise rescinded by the National Office. All loan approval and servicing actions exceeding the delegated authority must be submitted to the National Office for concurrence prior to approval.

VI. Technical Reviews:

All loan, grant, and combination applications for projects using the following technologies will be reviewed for technical merit and scored by the State Office, and not submitted to the National Renewable Energy Laboratory (NREL). However, NREL will be available to provide guidance to the State Energy Coordinators or the State technical leads concerning the renewable energy technologies listed below.

- a. Large Wind
- b. Small Wind
- c. Large Solar
- d. Small Solar
- e. Biomass – ethanol, biodiesel, solid fuel
- f. Energy Efficiency projects

All loan, grant, and combination applications for projects using the following technologies will be submitted to NREL for technical review and scoring:

- a. Anaerobic Digesters
- b. Geothermal Electric Generation and Geothermal Direct
- c. Hydrogen
- d. Hydro-power
- e. Ocean
- f. Biomass technologies not listed above

If the project consists of a hybrid technology, and the technical review is a State Office responsibility, the State will review the technical report. If one or more of the technologies require NREL review, NREL will review the technical report. A complete copy of the application must be forward for all NREL reviews.

VII. Scoring:

A separate UL is being developed to provide clarification for scoring REAP projects. It is titled "Rural Energy for America Program Scoring Clarification." As mentioned earlier, the statute stipulates that not less than 20 percent of the funds made available must be used for grants of \$20,000 or less. To accomplish this, the scoring criteria will award an extra 10 points to grants of less than \$20,000. States are encouraged to conduct outreach to target applicants for small grants.

States will score each loan, grant, and combination application, with input from NREL as applicable, and funds from their State allocations.

FY 2009 will be a transitional year from the NREL tracking system to the Guaranteed Loan System (GLS). Therefore, we will not have an automated system for the Technical Reviewer's score and comments. A fillable excel document will be provided to NREL for their use, along with the current list of the State Energy Coordinators, their phone numbers and e-mail addresses. The reviewer from NREL will forward an electronic version to the appropriate State Energy Coordinator. The total score must be entered into GLS.

The instructions for completing the post application information which was previously completed in the Post Application Tracking System (PATSy), was provided to the Energy Coordinators by e-mail at the end of March.

VIII. Oversight.

The National Office will post review REAP projects using a risk-based approach by periodically selecting individual projects for review. When requested, the State Office will forward the following information to the National Office for each project selected, to the attention of the Energy Division:

For REAP guaranteed loans:

1. A copy of the Project Summary;
2. A copy of the State Loan Committee minutes;
3. A copy of the lender's credit analysis, including the pro forma balance sheet projected for loan closing, and spreads of historic and projected financial statements;

4. Copy of the technical report;
5. For existing businesses, a copy of the historic financial statements;
6. Summary pages of the appraisal report(s), including the qualifications of the appraiser and a copy of the desk or technical review by the State Review Appraiser, if applicable;
7. A copy of the Conditional Commitment;
8. A copy of the proposed (or actual, if the loan is closed) Loan Agreement between the lender and the borrower.

For REAP grants:

1. A copy of the Scope of Work.
2. Documentation the application met demonstrated financial need. (For grants and loan-grant combinations over \$200,000 total project cost; a certification for those less than \$200,000);
3. A copy of the Letter of Conditions.
4. Copy of the technical report.
5. Certification of Financial Need.
6. Grant disbursement documentation, including all Forms SF 270 received to date with supporting documentation.
7. Evidence of grant monitoring, including all Forms SF 269 received to date.

For REAP loan/grant combinations:

Documentation requested for both loans and grants.

If you have any questions, please contact the Energy Division at (202) 720-1400.

(Signed William F. Hagy III) for

JUDITH A. CANALES
Administrator
Business and Cooperative Programs

Attachments:

Exhibit A - Rural Energy for America Program FY 2009 State Allocations
Exhibit B - Rural Energy for America Program Obligation Tracking Sheet and Request for National Office REAP Reserve Funding

EXHIBIT A

STATE	Grant-only Allocation	Loan-only Allocation Budget Authority	Loan Only Program Level	Combos Grant Portion	Combos Loan Portion Budget Authority	Combo Loan Program Level	Total State Allocation
Alabama	\$399,240	\$133,080	\$1,373,375	\$283,904	\$70,976	\$732,466	\$887,200
Alaska	\$72,720	\$24,240	\$250,155	\$51,712	\$12,928	\$133,416	\$161,600
Arizona	\$213,975	\$71,325	\$736,068	\$152,160	\$38,040	\$392,570	\$475,500
Arkansas	\$270,360	\$90,120	\$930,031	\$192,256	\$48,064	\$496,017	\$600,800
California	\$427,050	\$142,350	\$1,469,040	\$303,680	\$75,920	\$783,488	\$949,000
Colorado	\$165,375	\$55,125	\$568,885	\$117,600	\$29,400	\$303,406	\$367,500
Delaware	\$54,585	\$18,195	\$187,771	\$38,816	\$9,704	\$100,144	\$121,300
Maryland	\$129,060	\$43,020	\$443,963	\$91,776	\$22,944	\$236,780	\$286,800
Florida	\$415,170	\$138,390	\$1,428,173	\$295,232	\$73,808	\$761,692	\$922,600
Virgin Islands	\$22,500	\$7,500	\$77,399	\$16,000	\$4,000	\$41,280	\$50,000
Georgia	\$531,630	\$177,210	\$1,828,793	\$378,048	\$94,512	\$975,356	\$1,181,400
Hawaii	\$60,075	\$20,025	\$206,656	\$42,720	\$10,680	\$110,217	\$133,500
W. Pacific Areas	\$22,500	\$7,500	\$77,399	\$16,000	\$4,000	\$41,280	\$50,000
Idaho	\$113,985	\$37,995	\$392,105	\$81,056	\$20,264	\$209,123	\$253,300
Illinois	\$336,510	\$112,170	\$1,157,585	\$239,296	\$59,824	\$617,379	\$747,800
Indiana	\$346,590	\$115,530	\$1,192,260	\$246,464	\$61,616	\$635,872	\$770,200
Iowa	\$214,920	\$71,640	\$739,319	\$152,832	\$38,208	\$394,303	\$477,600
Kansas	\$149,715	\$49,905	\$515,015	\$106,464	\$26,616	\$274,675	\$332,700
Kentucky	\$413,145	\$137,715	\$1,421,207	\$293,792	\$73,448	\$757,977	\$918,100
Louisiana	\$259,380	\$86,460	\$892,260	\$184,448	\$46,112	\$475,872	\$576,400
Maine	\$157,635	\$52,545	\$542,260	\$112,096	\$28,024	\$289,205	\$350,300
Massachusetts	\$83,160	\$27,720	\$286,068	\$59,136	\$14,784	\$152,570	\$184,800
Connecticut	\$86,355	\$28,785	\$297,059	\$61,408	\$15,352	\$158,431	\$191,900
Rhode Island	\$31,995	\$10,665	\$110,062	\$22,752	\$5,688	\$58,700	\$71,100
Michigan	\$518,895	\$172,965	\$1,784,985	\$368,992	\$92,248	\$951,992	\$1,153,100
Minnesota	\$285,615	\$95,205	\$982,508	\$203,104	\$50,776	\$524,004	\$634,700
Mississippi	\$361,035	\$120,345	\$1,241,950	\$256,736	\$64,184	\$662,374	\$802,300
Missouri	\$352,080	\$117,360	\$1,211,146	\$250,368	\$62,592	\$645,944	\$782,400
Montana	\$110,070	\$36,690	\$378,638	\$78,272	\$19,568	\$201,940	\$244,600
Nebraska	\$112,590	\$37,530	\$387,307	\$80,064	\$20,016	\$206,563	\$250,200
Nevada	\$95,625	\$31,875	\$328,947	\$68,000	\$17,000	\$175,439	\$212,500
New Jersey	\$82,215	\$27,405	\$282,817	\$58,464	\$14,616	\$150,836	\$182,700
New Mexico	\$118,620	\$39,540	\$408,050	\$84,352	\$21,088	\$217,626	\$263,600
New York	\$400,230	\$133,410	\$1,376,780	\$284,608	\$71,152	\$734,283	\$889,400
North Carolina	\$586,575	\$195,525	\$2,017,802	\$417,120	\$104,280	\$1,076,161	\$1,303,500
North Dakota	\$67,275	\$22,425	\$231,424	\$47,840	\$11,960	\$123,426	\$149,500
Ohio	\$508,050	\$169,350	\$1,747,678	\$361,280	\$90,320	\$932,095	\$1,129,000
Oklahoma	\$243,720	\$81,240	\$838,390	\$173,312	\$43,328	\$447,141	\$541,600
Oregon	\$180,315	\$60,105	\$620,279	\$128,224	\$32,056	\$330,815	\$400,700
Pennsylvania	\$476,685	\$158,895	\$1,639,783	\$338,976	\$84,744	\$874,551	\$1,059,300

Puerto Rico	\$107,325	\$35,775	\$369,195	\$76,320	\$19,080	\$196,904	\$238,500
South Carolina	\$365,040	\$121,680	\$1,255,728	\$259,584	\$64,896	\$669,721	\$811,200
South Dakota	\$88,425	\$29,475	\$304,180	\$62,880	\$15,720	\$162,229	\$196,500
Tennessee	\$458,775	\$152,925	\$1,578,173	\$326,240	\$81,560	\$841,692	\$1,019,500
Texas	\$586,575	\$195,525	\$2,017,802	\$417,120	\$104,280	\$1,076,161	\$1,303,500
Utah	\$79,380	\$26,460	\$273,065	\$56,448	\$14,112	\$145,635	\$176,400
Vermont	\$91,530	\$30,510	\$314,861	\$65,088	\$16,272	\$167,926	\$203,400
New Hampshire	\$99,270	\$33,090	\$341,486	\$70,592	\$17,648	\$182,126	\$220,600
Virginia	\$349,290	\$116,430	\$1,201,548	\$248,384	\$62,096	\$640,826	\$776,200
Washington	\$219,780	\$73,260	\$756,037	\$156,288	\$39,072	\$403,220	\$488,400
West Virginia	\$183,645	\$61,215	\$631,734	\$130,592	\$32,648	\$336,925	\$408,100
Wisconsin	\$311,445	\$103,815	\$1,071,362	\$221,472	\$55,368	\$571,393	\$692,100
Wyoming	\$55,215	\$18,405	\$189,938	\$39,264	\$9,816	\$101,300	\$122,700
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Totals	\$12,472,920	\$4,157,640	\$42,906,502	\$8,869,632	\$2,217,408	\$22,883,467	\$27,717,600
	45%	15%	32%	8%			