



**USDA Rural Development - California**  
Business & Cooperative Programs  
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## Energy Efficiency Program Overview

Rural Energy for America Program (REAP)

### Grants for energy efficiency measures - lighting, heating, cooling, insulation, & pump improvements

The REAP program provides grants to rural small businesses & agricultural producers for up to 25% of the cost of making energy efficiency improvements to their facilities. Renewable energy generation projects, including flexible fuel pumps, (discussed in a separate information sheet) are also eligible for assistance under this program.

#### Funds available

REAP FY 2011, **over \$40 million**, in REAP grants were awarded. A similar level of funding is likely in FY 2012. Grant size: **\$250,000 maximum** (\$2,500 minimum) per project – cannot exceed 25% of total project cost. Preferred size: **Grants of ≤ \$20,000 are strongly favored.**

#### Eligible applicants

- Rural small businesses – “**Rural**” means any area other than a city or metropolitan statistical area that has a population of greater than 50,000 inhabitants. “**Small**” is as defined by SBA and depends on business type – typically < 500 employees & revenue < \$7 million.
- Agricultural producers (including nurseries & dairies) – individuals or business entities receiving at least 50% of gross income from agriculture. (The “small” and “rural” limitations do not apply to agricultural producers.)
- *Nonprofits & public projects are **not** eligible.*
- Preference is given to “very small businesses” – those with < 15 employees & < \$1 million in annual receipts and “small agricultural producers” that produce products with a gross market value < \$600,000.

#### Eligible purposes

- Purchase and installation of non-residential energy efficiency improvements to a building or process resulting in reduced energy consumption
- Strong preference is given for technology that is “*commercially available*” – i.e., that has a proven operating history and has an established design, installation, & service industry. “*Pre-commercial technologies*” – i.e., those that have emerged through the R&D process and have commercial potential – may qualify, but require substantially more documentation. Experimental or R&D projects are not eligible.
- The applicant must own & control the system, though a qualified third-party may be engaged to operate it.

#### Authorized uses

- Energy-efficient fixtures, machinery & equipment (new or refurbished) – both purchase & installation (including reimbursement for these costs only if the costs were incurred *after* submitting your application).
  - » Vehicles & farm equipment are ineligible
- Energy-efficient real estate improvements – both materials & construction (including reimbursement for these costs only if the costs were incurred *after* submitting your application).
  - » New facilities are ineligible unless they exactly replace an existing inefficient facility in the same size & purpose. Furthermore, the REAP assistance is limited to costs directly attributed to energy efficiency improvements over & above conventional design and as supported by an energy audit.
- Energy audits, permits, professional fees (except application packaging), feasibility studies & business plans (including reimbursement for such costs whether incurred *before* or *after* application date).

#### Application process

- “**Simplified**” applications are allowed for projects seeking ≤ \$50,000 grant & with ≤ \$200,000 total project cost, and only for proposals using commercially-available technologies.
- Grants are awarded annually via a competition among applications received by the deadline.

- Applications are accepted year-round. The application deadline for the next annual competition has not been announced, but is likely to be in June.
- Applications may either be submitted to the USDA Rural Development State Office at 430 G Street, #4169, Davis, CA 95616 or submitted electronically through [www.grants.gov](http://www.grants.gov).

**Additional requirements**

- Matching funds – 75% of the project cost must come from non-Federal funds. “In-kind” contributions from third parties of up to 10% of the project cost may be counted toward the match.
- Energy audit – a report by an independent, professional, qualified party (such as a Certified Energy Manager) is required with the application. (Applications for < \$50,000 are exempt from this requirement, but receive extra priority points for meeting it.) The audit must address current energy use, recommended improvements & costs, energy savings from the improvements, dollars saved per year, and weighted-average payback in years.
- Interim financing – Grant funds are typically disbursed when the project is complete, tested, & certified operational.

**Priority Point System**

REAP applications are competitively chosen for funding based on the following weighted selection criteria:

Max Points	Grant selection criteria
15	Energy saved (max points for projects with ≥ 35% energy savings)
5	Professional energy audit obtained (these points are given only if total project cost is ≤ \$50,000)
10	Environmental benefits – the project helps meet state environmental goals
10	Commercial availability of the system (max points for improvements with a 5+ year warranty)
10% of 35pts	Technical merit score – qualifications of the project team
5% of 35pts	Technical merit score – agreements & permits
10% of 35pts	Technical merit score – energy savings audit/assessment
30% of 35pts	Technical merit score – design & engineering
5% of 35pts	Technical merit score – project development schedule
20% of 35pts	Technical merit score – financial feasibility
5% of 35pts	Technical merit score – equipment procurement
5% of 35pts	Technical merit score – equipment installation
5% of 35pts	Technical merit score – operations & maintenance
5% of 35pts	Technical merit score – decommissioning
15	Readiness (max points if all other funding sources have already given written commitment)
10	“Smallness” of applicant (max points if <\$1 MM gross revenue for business, <\$200,000 for farms)
5	“Small” project (i.e., ≤ \$50,000 grant & ≤ \$200,000 project) using simplified application
5	No previous REAP award to applicant within last 2 years
15	Time for project to repay cost of investment (max points if simple payback in <4 years)
10	USDA points for under-represented technologies, flex fuels, & geographical diversity

*Shaded points may be awarded by independent technical review committees; other points awarded by USDA.*

**GET STARTED NOW!**

1. Obtain an independent, professional energy audit. Contact your utility for suggestions.
2. Decide which energy efficiency improvements to adopt & determine approximate cost.
3. Line up other incentives. Most utilities have them.
4. Apply for a REAP grant.
5. USDA announces REAP awards, usually in late summer. Once your application is submitted, you may proceed with the project. (The grant may reimburse post-application costs *only* if your application is chosen for funding.)

**For more information, an application template, or to get on our REAP notification list contact:**

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