



USDA Rural Development - California
Business & Cooperative Programs
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Renewable Energy Program Overview

Rural Energy for America Program (REAP)

Funds for renewable energy projects - wind, solar, biomass, biofuels, micro-hydropower, geothermal, anaerobic digesters, flexible fuel pumps

The REAP program provides grants to rural small businesses & agricultural producers for up to 25% of the cost to purchase & install renewable energy generation systems and flexible fuel pumps. Energy efficiency projects (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: **\$500,000 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 a renewable energy generating system, limited to following:
 1. Biomass, bio-energy – producing fuel (e.g., biodiesel, ethanol), thermal energy, or electric power from a biomass source (crops, trees, wood, plants, & their residues and fats, oils, & greases, but excluding animal waste, paper, & unsegregated solid waste)
 2. Biomass, anaerobic digesters – producing thermal energy or electric power via anaerobic digestion using animal waste & other organic substrates
 3. Geothermal, electric generation – electric power from the thermal potential of a geothermal source
 4. Geothermal, direct use – producing thermal energy directly from a geothermal source
 5. Hydrogen – renewable energy systems using hydrogen as an energy transport medium
 6. Solar, small – electric projects with rated power ≤ 10 kW; thermal projects with rated storage ≤ 240 gallons
 7. Solar, large – electric projects with rated power >10 kW; thermal projects with rated storage >240 gallons
 8. Wind, small – systems with a ≤ 100 kW-rated wind turbine & with a generator hub height of ≤ 120 feet
 9. Wind, large – systems with a >100 kW-rated wind turbine
 10. Hydroelectric – electric power from micro-hydro projects
 11. Ocean – energy generation from tidal, wave, current & thermal sources – but not for R&D technologies
 12. E85 & biodiesel blender pumps – renewable fuel dispensing systems – pumps and tanks
- 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

- Renewable energy **machinery & equipment** – purchase & installation (including reimbursement for these costs only if the costs were incurred *after* submitting your application).
- Renewable energy real estate improvements – materials & construction (including reimbursement for these costs only if the costs were incurred *after* submitting your application).
- Feasibility studies, technical/engineering reports, permits, professional fees, & 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 in June.
- Applications for grants may either be submitted to the USDA Rural Development State Office at 430 G Street, Davis, CA 95616 or submitted electronically through 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.
- Feasibility study – a detailed, project-specific study by an *independent* consultant is required on projects costing > \$200,000.
- Technical report – a detailed, project-specific report, including engineering drawings & process flow charts, by a *professional engineer (PE)* is required. (Projects costing < \$200,000 may be exempt from PE requirement.)
- Established market for energy to be generated – projects to be interconnected with an electric utility must have an *interconnection agreement* (or letter of intent) or *power purchase agreement* at the time of application.
- 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 replaced, saved, or generated (Up to 15 pts for net-metered; 10 pts for generation projects)
10	Environmental benefits – the project helps meet state or local 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 or resource 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 <10 years)
10	USDA points for under-represented technologies, flex fuels, & geographical diversity

Shaded points may be awarded by an independent technical review committee; other points awarded by USDA.

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

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