

The Payoff: Energy Grants & Loans

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Energy bills can cut into a greenhouse business's bottom line faster (and deeper) than a new steel shovel. Investing in energy efficiencies can seem like a no-brainer if you have the capital to invest. Committing to renewable energy has its merits as well—energy independence, sustainable values and often a good return-on-investment. But there's still that "if" on the initial money.

That's where the Rural Energy for America Program (REAP) comes in. With guaranteed loans and grants for energy audits, feasibility studies, renewable energy and energy efficiency improvements, it has helped many growers invest in more efficient, sustainable technologies over the years. While the shenanigans in Congress still hold a new Farm Bill hostage (as of press time), both sides of the table still seem committed to funding these energy titles.

This could be you

Funding may have been at its lowest in 2013, but the horticulture industry had a robust presence on the list of grant recipients, released in August. Iron Mountain Nursery in Stagecoach, Nevada, was just notified of a \$12,476 grant to install a 7 kW solar photovoltaic system to provide power for its farm and nursery. They calculate it will generate 13,000 kW of energy annually. Eve's Garden in Florida will receive \$50,000 for its solar project, while Peoria Gardens in Oregon and White Flower Farm in Connecticut will be making some serious energy efficiency upgrades to the greenhouses. Ace Begonias in Connecticut and the Little Miami Flower Company in Ohio will be getting energy efficient lighting with this funding cycle. Woodland Acres Garden Center in Ohio will be going solar, as will many more.

From \$2,000 projects to six-figure investments, the horticulture industry has elbowed its way into the grant recipient list among dairy farmers, grain processors, poultry farmers and co-ops. Green Circle Growers secured a \$227,500 grant in 2008, which helped pay for 12 acres of energy curtains in its greenhouses. That same year, which was a good funding year for the REAP program with \$220 million up for grabs, Pleasant View Nursery in New Hampshire was able to install a biomass boiler with the help of a grant. Sylvan Nursery in Westport, Massachusetts, used a \$33,144 grant to cover 25% of the cost of purchasing and installing two wind turbines in 2007. Full Bloom Market Garden in Whately, Massachusetts, using \$153,982 from a 2012 REAP grant, was able to install a 103 kw photovoltaic system.

Funding has varied greatly in the last few years, with \$25.4 million available for REAP activities in 2012 and \$21 million in 2013. The list of funded projects now features smaller investments and is dominated by projects such as solar systems, wind turbines and replacement grain dryers. In 2013, TrueLeaf Technologies and Sustainable Energy Financing, who advise many growers in the grant process, recommended applying for the smaller projects under \$50,000. These smaller projects also have a simpler application. Projects that swap out or replace existing technologies and improve efficiency are a good bet—such as replacing lights, old boilers and such. Solar systems also seem to do favorably; you don't need an energy audit or assessment with them, either. The advice seemed to work for this year's applicants.

No matter the project, for all of these growers, grants mean that the purchase has a much faster return on investment.

What and who qualifies?

As the name implies, REAP funds are for rural small businesses. By rural, they suggest that you should live in a community with less than 50,000 people, not near a major city. However, the actual criteria differ by region. The USDA has a nifty tool that evaluates if you're an eligible rural business: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>.

Your proposed project shouldn't be paying for the expansion of facilities; it should be for energy efficiency improvements you can quantify for or for renewable energy from a proven technology.

The grants and loans

The REAP grant program funds up to 25% of a project. The other 75% must come from non-federal sources, which can include loans, investors, your own assets, state and local grants.

Energy-efficient projects | Grants of \$1,500 to \$250,000—Projects that save energy (electricity, propane or natural gas, or diesel fuel) are eligible, such as cooling systems, weatherization, efficient lighting and ventilation, irrigation equipment, industrial motors and so on. Projects that save fuel used in mobile sources (tractors, trucks) are not eligible.

Renewable energy systems | Grants of \$2,500 to \$500,00—These can include small and large wind turbines, active or passive solar energy systems, geothermal heating and cooling, anaerobic digesters using food or livestock waste, systems using or producing biomass fuels, or facilities producing ethanol or biodiesel.

Feasibility studies | Grants up to \$50,000—This funds business studies for the feasibility of renewable energy systems eligible for REAP grants and loans. You can't apply for a feasibility study and a grant to fund the project in the same year.

The loans | A guaranteed loan can cover up to 75% of a project's eligible costs. For loans under \$600,000, it can cover up to 85% of the loan amount; for those of \$10 to \$25 million, it goes down to 60% of the loan amount.

The application

The deadlines | Like the Farm Bill itself, the REAP deadlines have been in flux. In recent years, applicants haven't had much turnaround time. In the spring of 2013, when the USDA announced an April 30 deadline with only a month's notice, they eventually came back and extended the deadline by another month. The bad news is that grant season also tends to fall around a grower's busiest season. The good news is that you can start gathering information for your application ahead of time.

A History of Varied REAP Deadlines

Year	Loan Deadline(s)	Grant Deadline(s)
2008	April 15 & June 16	April 15 & June 16
2009	June 6	July 31
2010	June 30	June 30
2011	June 30	June 30
2012	June 29	March 30
2013	July 15	April 30 & May 31

Pre-application necessities | Here are a few must-haves before you can even begin to process a REAP application.

- Choose your project.
- Do a detailed evaluation of your proposed renewable resource or efficiency improvements.
- Connect with experts to design and plan the project.
- Create a budget and implementation plan.
- Start to line up additional funds. (Grants only cover 25%.)
- Contact your state USDA Rural Development office to learn more about the application process. (You will apply directly through your state office.)
- Get a Dun & Bradstreet Data Universal Number System (DUNS) number, which you need to apply for Federal financial assistance.
- Register on the System for Award Management (SAM), after you get your DUNS number.
- Using an outside firm to help with the grant application? Figure out the lead time they need to submit an application.

The application | Again, you will be applying through your state USDA Rural Development office (see sidebar on Resources on page 78). Smaller projects have a simpler application than big projects. In general, here's the rundown on what you'll include:

- Several certification and disclosure forms
- Organizational documents
- A project summary
- Financial information
- Matching funds spreadsheet
- A self-evaluation score sheet
- Technical report
- Supplemental documentation

Payments | The folks at TrueLeaf Technologies advise their customers to make sure they maintain grant eligibility throughout the process. It's okay to pay design and engineering fees early on, but wait until your grant application is fully submitted before you make any down payment on the project.

Self-evaluation score sheet | Pay attention to this score sheet. It will give you a good idea of how well your project may score against others, and it will also help you determine any weak areas of your proposal. For instance, it asks you to score the energy replaced or saved, the environmental benefits, the technical merit, the matching-funds readiness and the return on investment.

Additional savings and funding

While securing the additional funding may seem daunting, don't walk into the bank just yet. Consider the other incentive programs and savings that might also apply.

- Tax credits
- Utility rebates
- State grants
- Utility incentive programs
- Depreciation

- Energy savings
 - Section 1603 Payments (See call-out) GT
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Section 1603 Payments

These are payments, made by the Department of Treasury after your project is in service, which reimburse you for a portion of the cost of installing specific energy property used in a trade or business in lieu of a tax credit. (This year, due to sequestration, all awards from March 1 to September 30, 2013 were reduced by 8.7%.)

Three important things to watch for in 2014

The Farm Bill | As of press time, we were still waiting for a new Farm Bill to emerge, approved by Congress. Both the House and the Senate had included some sort of funding for what they call Energy Titles in their versions of the bill, but they varied greatly, and we've yet to see where they might settle. By the time this article hits readers, we may know the answer.

An undesirable alternative, according to the American Nursery & Landscape Association, is that a new Farm Bill is not signed into law by October 1. At this time, the already-extended 2008 Farm Bill would expire and we could revert to the 1949 law. Let's hope not.

Deadlines | Hinging on the above situation, keep an eye out for deadlines for 2014. They could be announced anytime between January and April.

Application changes | You may also see a change in the application process and requirements in 2014 or beyond. The USDA has proposed rule changes to REAP that would reduce some of the paperwork (especially for projects under \$80,000), reduce some reporting requirements, create a more objective scoring system and create a quarterly application period for the loan program. You may also see additional projects, such as retrofitting renewable energy systems, added to the list. Plus, expect to see changes on how energy savings are calculated.

Resources

- The REAP website: www.rurdev.usda.gov/BCP_Reap.html
- To find the REAP contact for your state: <http://farmenergy.org/tools/state-level-usda-contacts>
- To get a DUNS number: <http://fedgov.dnb.com/webform> or (866) 705-5711
- Rural Business Eligibility: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>
- Section 1603: www.treasury.gov/initiatives/recovery/Pages/1603.aspx
- Sustainable Energy Financing: www.sef-llc.com GT