

Memo



To: BEL Stakeholders
From: Beneficial Electrification League
Date: 5/16/23
Re: Empowering Rural America (New ERA) Program – Notice of Funding Opportunity (NOFO)

EXECUTIVE SUMMARY

The Empowering Rural America (New ERA) Program provides financial assistance to rural electric cooperatives to improve their electric systems and reduce greenhouse gas (GHG) emissions. The program includes loans, loan modifications, loan/grant combinations, and grants. **The maximum loan amount is \$970 million. Grants are limited to 25% of the total eligible project costs.**

New ERA is administered by the U.S. Department of Agriculture's Rural Utilities Service (USDA RUS or "the Agency").

Electric cooperatives serving predominantly rural areas are eligible, as are cooperatives that are Rural Utilities Service (RUS) electric loan borrowers under the Rural Electrification Act (REA).

Eligible service areas are any areas in the United States, its territories, and insular possessions that are *not* cities, towns, or unincorporated areas with a population of more than 50,000 inhabitants. Non-rural service is allowed if it is necessary and incidental to providing benefits to rural areas.

The program requires a 25% cost share, which can be cash, in-kind contributions, or a combination of both. Cost share can be provided by the eligible entity or other non-Federal sources. New ERA funds cannot serve as cost share for other Federal programs.

The deadline for submitting Letters of Interest (LOI) is August 31, 2023, and all New ERA funds must be disbursed by September 30, 2031. Eligible entities cover expenses for the LOI and New ERA Application development.

The program aims to reduce GHG emissions while improving rural electric systems. Eligible projects must result in GHG emission reduction and long-term system resilience, reliability, and affordability. Funds can be used to make energy efficiency improvements to eligible generation and transmission systems, to purchase, build, or deploy renewable energy, zero-emission systems, carbon capture storage systems, or to purchase renewable energy.

Important dates:

- LOI submission period: July 31 – August 31, 2023.

- 60-day deadline to complete and submit a New ERA Application after receiving Invitation to Proceed.
- New ERA Awards to be made soon after New ERA Application submission.
- All New ERA funds must be disbursed by September 30, 2031.

The Agency will review LOIs according to set criteria and ask for data estimating the reduction in GHG emissions resulting from proposed projects.

Overall, the New ERA Program provides opportunities for rural electric cooperatives to improve their electric systems and reduce GHG emissions through financial assistance, with a deadline for submitting LOIs by August 31, 2023.

Highlights

- RUS seeks LOIs for New ERA Program Applications.
- Grants are limited to 25% of the project cost.
- Requires a 25% cost share.
- New ERA makes \$9.7B in loan and grant funds available via the Inflation Reduction Act of 2022.
- New ERA aims to reduce GHG emissions while improving rural electric systems.
- **Electric cooperatives are eligible for funding to reduce GHG emissions by investing in renewable energy, zero-emission systems, carbon capture, and improved energy efficiency.**
- A “Rural Area” is any area of the U.S. or its territories that is not a city, town, or unincorporated area with a population of more than 50,000 inhabitants.
- Non-rural service is allowed if it is necessary and incidental to providing benefits to rural areas.
- Eligible entities cover expenses for LOI and New ERA Application development.

Important Dates

- LOI submission period: **July 31 - August 31, 2023.**
- An LOI is required to be considered for an Invitation to Proceed.
- 60-day deadline to complete and submit a New ERA Application after receiving an Invitation to Proceed.
- New ERA Awards to be made soon after New ERA Application submission.
- All New ERA funds must be disbursed by **September 30, 2031.**

Letter of Interest and Application Review

- LOIs will be reviewed according to set criteria. Applicants will be asked to provide data estimating the reduction in GHG emissions resulting from the proposed project.
- Eligible entities may use the on-line estimator or the Achievable Reduction Tool to provide data or another comparable approved method.
- RUS may issue an Invitation to Proceed for a New ERA Application if the LOI contains strong proposed projects that advance the New ERA Program goals.
- New ERA Applications are reviewed based on the same criteria as the LOIs, and the Applicant may use the same GHG reduction data provided in the LOI if still accurate.
- New ERA Applications will be evaluated based on RUS's general underwriting requirements and the Applicant's Portfolio of Actions using specific selection criteria.
- Applicants will be placed into three categories based on their Total Utility Plant (TUP) value and compete for awards within their category.
- The Administrator has the sole discretion to shift funding between categories, offer financing on different terms, reject applications, add funding, and make offers.
- Applicants will be notified of their application's status: unsuccessful applicants will receive a written notification, while successful applicants will receive a Commitment Letter specifying the award amount and conditions.
- Eligible entities bear the cost of preparing and submitting LOIs and New ERA Applications; RUS may ask for additional information or offer a different financial package.

Federal Award Information

- There are four types of federal awards available: **loans, loan modification, loan/grant combinations, and grants.**
- Congress has appropriated \$9.7 billion in FY 2023 and section 22004 requires all IRA funds to be advanced before September 30, 2031.
- The maximum award an applicant can receive is \$970 million, and grants are limited to 25% of the total eligible award costs.
- System Awards and Project Awards are available to finance projects for eligible entities.
- There are three types of financial assistance available: **loan only, grant only, and loan/grant combinations.**
- The interest rate for a loan-only award can be set at a fixed percent at 2 percent, zero percent, or a rate tied to the federal government's cost of money.
- **Award funds will be disbursed as reimbursements for eligible costs and must be used before September 30, 2031.**
- Awards will have a term of up to 35 years, with interest rates specified in the NOFO.
- Repayment must be fully amortized over the term of the loan, and prepayment is allowed at any time.
- Financial ratios and coverage ratios will be set forth in the Commitment Letter and the Awardee's Award Documents with RUS.

Eligibility

1. *Entities*
 - a. Electric cooperatives (or subsidiaries) that are either RUS electric loan borrowers under the Rural Electrification Act or serve predominantly rural areas.

2. *Projects*
 - a. Portfolio of actions resulting in GHG emission reduction and long-term resilience, reliability, and affordability of rural electric systems.
 - a. Includes renewable energy, zero-emission systems, energy efficiency improvements, and transmission improvements.
 - b. Must serve eligible service areas.
3. *Cost Share*
 - a. Requires a 25% cost share from the eligible entity.
 - b. The program offers loans to finance up to 75% of total project costs.
 - c. Cost share can be in cash, in-kind contributions, or a combination of both.
 - d. Cost share must be provided by the eligible entity or other non-Federal sources.
 - e. Cost share cannot be used to match funds from another Federal program.
4. *Service Areas*
 - a. Must deliver electricity to consumers in predominantly (at least 50%) rural areas.
 - b. Eligible service areas are any areas in the United States, its territories, and insular possessions that are not cities, towns, or unincorporated areas with a population of more than 50,000 inhabitants (adjusted to exclude individuals incarcerated on a long-term or regional basis or the first 1,500 individuals who reside in housing located on a military base).
 - c. Service areas of former RUS and REA electric loan borrowers are eligible.
5. *Other Eligibility Factors*
 - a. Proposals must promote reliability, resilience, and affordability.
 - b. Geographic diversity and efficient use of program funds may be considered.
 - c. New ERA funding requested will be considered relative to total budgetary resources.
 - d. State Unemployment Tax Act provisions will be available to the Administrator.

Application and Submission Information

- The New ERA Program will have an online application portal open by July 31, 2023.
- The application process will have two phases: LOI submission and full application submission.

Phase 1 – LOI Submission

- The LOI must include information about the eligible entity's profile, point of contact information, project name, location, and applicable service area.
- The LOI must state whether the subsequent application will provide a request for a Project Award or System Award.
- The LOI must identify the type and amount of financial assistance the eligible entity will seek in its application.
- The LOI must disclose any foreign entity or foreign person with ownership or management interest in the eligible entity or proposed project(s).
- The LOI must estimate the proposed GHG reduction from the Portfolio of Actions and provide a technical description of the project(s).

- RUS reserves the right to ask for clarifying or additional information related to the LOI.

Phase 2 – Application Submission

- Applicant must submit application package within 90 days of Invitation to Proceed.
- Application package must include:
 - Cover Letter
 - Articles of incorporation and bylaws or other applicable governing and organizational documents
 - Environmental and Historic Preservation Requirements
 - Financial Forecast
 - Ratepayer Benefit
 - Power Purchase Agreement (PPA)
 - Power Resources Owned, Co-owned, or Leased
 - Power Purchase Contracts (if applicable)
 - Power Sales Contracts
 - Engineering Report
 - Project Contracting
 - Interconnection Agreements
 - System Impact Studies
 - Transmission Service Agreement
 - Other Major Agreements (e.g., O&M agreements, joint ownership agreements, fuel management/supply agreements)
 - Meteorological Data and Studies
 - Fuel and Fuel Transport Strategies
 - Sources and Use of Water
 - Technical and Financial Description (not to exceed **1,500 words** per Project)
 - Real Estate Agreements
 - Refinancing and Modifications
 - **Community Benefit Plan, including Diversity, Equity, and Inclusion (DEI) goals**
 - No Award fund until the Awardee has developed its Community Benefit Plan(s).
 - The grant portion of an Award will not advance until the Awardee implements its Community Benefit Plan(s).
 - Specification of Award sought
 - Identification of Non-RUS Funds
 - Any Necessary Tribal Government Resolution of Consent
 - Reimbursable Eligible Costs
 - Other Submission Requirements:
 - LOIs accepted from July 31, 2023, to August 31, 2023.
 - Eligible entities have 60 days from invitation to submit full application.
 - Projects for fossil-fueled power and projects started before August 16, 2022, are ineligible.
 - LOIs and applications can be consolidated for joint ventures, but each applicant must have an active SAM.gov registration.
 - Only one New ERA Application allowed per applicant; PACE and New ERA proposals must be separate.

- Electric cooperatives and their subsidiaries count as one entity for grant limitation purposes.

Build America, Buy America Requirements

- Infrastructure Project Awards must follow domestic preference requirements.
- Non-Federal Entities must adhere to section 70914 of the Build America, Buy America Act (BABAA) and use iron, steel, and manufactured products made in the United States and construction materials that were manufactured in the United States.
- BABAA only applies to articles, materials, and supplies that are consumed, incorporated, or affixed to an infrastructure project.
- Other Awardees must adhere to the Agency's Buy American requirement at 7 CFR part 1787.
- Rural electric cooperatives, for-profit organizations, and investor-owned utilities are not considered Non-Federal Entities.
- Requests for waivers must be submitted according to applicable regulations.