



USDA'S PACE AND NEW ERA PROGRAM

A Suggested Time-Sensitive Action Plan for Electric Cooperatives

ACTION PLAN HIGHLIGHTS

Each individual electric cooperative has the potential to add hundreds of millions of dollars in value to their system through new USDA Rural Utilities Service grants and forgivable loans (and direct pay tax credits). A requirement to achieving these benefits is participating in a new USDA loan program, during a one-time window with deadlines in the summer of 2023. The Beneficial Electrification League recommends that each electric cooperative consider both the PACE and New ERA Programs. Our recommendations are as follows:

PACE - Submit any energy storage and/or renewable projects (including renewable-based microgrids) in defined "energy communities," tribal communities, or in disadvantaged communities that can be completed by 2031 to receive 40-60% loan forgiveness plus up to 30%+ in direct pay tax credits.

New ERA - For electric cooperatives with significant GHG reduction potential, submit a large a portfolio of eligible projects capable of being completed by 2031 (up to several hundred million dollars or more) for a RUS loan that will be eligible for a 25% grant plus direct pay tax credits, as applicable.

SUGGESTED LETTER OF INTENT DEADLINES

PACE: JULY 10, 2023 OR AS SOON AS POSSIBLE AFTERWARD

NEW ERA: PRIOR TO AUG. 31, 2023

FOR MORE INFO, EMAIL INFRASTRUCTURE@BE-LEAGUE.ORG





SUGGESTED PACE ACTION PLAN FOR ELECTRIC COOPERATIVES

THE BOTTOM LINE

We **recommend** that electric cooperatives with planned or potential energy storage and/or renewable energy projects eligible under "Category" 2 or 3 that would be completed by 2031 apply on or as close to June 30 via a letter of intent.

WHO SHOULD ACT?

OUR RECOMMENDATION FOR ACTION APPLIES TO COOPERATIVES WITH PROJECTS THAT FALL INTO "CATEGORY" 2 OR 3 (ELIGIBLE FOR 40% OR 60% FORGIVENESS)

The PACE program is similar to past USDA loan programs, but with a "bonus." Projects approved under PACE will be subject to 20%, 40%, or 60% loan forgiveness depending on which "category" the project falls under. BEL recommends that cooperatives that are planning or could plan to complete renewable energy, energy storage, and microgrid projects by 2031 that are eligible for 40% or 60% loan forgiveness apply. Combined with direct pay tax credits, this is an excellent opportunity, and may be the best opportunity available for large projects (up to \$100M inclusive of forgiveness) available under the Inflation Reduction Act.

- **"Category 2" awards will provide up to 40% total loan forgiveness** if 50% or more of the population served by the proposed service area is located in an "Energy Community" or "Distressed or Disadvantaged Community."
- **"Category 3" awards will provide up to 60% loan forgiveness** if the proposed service area is in specific territories (Guam, Puerto Rico, etc.), or consists of 60% or more of a Tribal area, or serves a Substantially Underserved Trust Area, or is owned by an Indian Tribe.

WHAT TYPES OF PROJECTS SHOULD BE SUBMITTED?

The PACE program is designed for renewable energy projects and energy storage systems, which includes microgrids powered by renewable energy, and related transmission and distribution components. We recommend any project that is planned or could be planned to be completed by 2031 that fall under category 2 and 3 above should be included in your application. Projects at distribution cooperatives should be coordinated with G&Ts where appropriate. RUS will not approve projects that violate existing wholesale power contracts.

WE RECOMMENDED SUBMITTING ON JULY 10, 2023

Letters of Intent will be accepted by USDA starting on June 30. This is not a hard deadline, but since this is a rolling acceptance, we encourage you to get LOIs in as soon as possible after that date so they will be considered early. Register a SAM.gov account as soon as possible.



SUGGESTED NEW ERA ACTION PLAN FOR ELECTRIC COOPERATIVES

THE BOTTOM LINE

We recommend that electric cooperatives with significant GHG reduction opportunities create a large portfolio (\$100M+) of eligible projects and apply by Aug. 31 via a letter of intent.

WHO SHOULD ACT?

OUR RECOMMENDATION FOR ACTION APPLIES TO COOPERATIVES WITH SIGNIFICANT EMISSIONS REDUCTION POTENTIAL, INCLUDING ALL COOPERATIVES WITH FOSSIL ASSETS THAT COULD POTENTIALLY RETIRE BY 2031.

USDA's New ERA program provides an opportunity exclusively for electric cooperatives to participate as part of a USDA RUS loan program with a 25% grant component. Loan terms are as low as 0%-2% depending on the specific project. Participation is competitive and will be scored largely on the amount of greenhouse gas emissions reductions that the applicant can achieve. Half of the 60 points that the project will be scored on are related to GHG emissions reductions, which can be achieved most easily through a fossil plant retirement. Therefore, if a co-op has a fossil asset that can be retired before 2031, the cooperative has a big opportunity. The maximum award an individual cooperative can receive is \$970 million in USDA budget authority. For cooperatives with significant emissions reduction potential, our recommendation is to create as large a portfolio of eligible projects as possible to take advantage of this opportunity and the 25% grant, which would equate to hundreds of millions of dollars (before any tax credits kick in on top of that).

WHAT TYPES OF PROJECTS SHOULD BE SUBMITTED?

The New ERA program has a broad range of activities supported including the purchase of renewable energy, renewable energy systems, and upgrades to distribution and transmission systems associated with the projects. The program notably will not fund new fossil fuel-based power generation, but could fund carbon capture and sequestration or small modular nuclear projects if feasible by 2031. Our recommendation for cooperatives with significant emission reduction potential is to group as many power purchases, renewable energy upgrades, and related transmission and distribution upgrades as possible into one large (\$100M+) application to make the most of the 25% grant opportunity. Participating cooperatives should GO BIG as this is an opportunity to improve a cooperative's balance sheet and add hundreds of millions of value for members.

WE RECOMMENDED SUBMITTING BEFORE AUGUST 31, 2023

Letters of Intent will be accepted by USDA until August 31 and we suggest submitting before that date in case of technical difficulties with submission. Email infrastructure@be-league.org for more information. All potential participants should register a SAM.gov account as soon as possible.

ADDITIONAL RESOURCES

LOCATIONS OF DISTRESSED AND DISADVANTAGED COMMUNITIES

<https://ruraldevelopment.maps.arcgis.com/apps/webappviewer/index.html?id=4acf083be4c44bb7864d90f97de0c788>

LOCATIONS OF "ENERGY COMMUNITIES"

<https://energycommunities.gov/energy-community-tax-credit-bonus/>

BENEFICIAL ELECTRIFICATION LEAGUE WEB SITE

The Beneficial Electrification League has compiled resources at:

www.be-league.org/USDA

This includes copies of the Notice of Funding Opportunities from both programs, USDA slides from their presentations, and a recorded webinar with USDA staff.

USDA RUS RESOURCES

- The PACE Web site: <https://www.rd.usda.gov/programs-services/electric-programs/powering-affordable-clean-energy-pace-program>
- The New Era Web site: <https://www.rd.usda.gov/programs-services/electric-programs/empowering-rural-america-new-era-program>
- USDA FAQs: <https://www.rd.usda.gov/inflation-reduction-act/ira-faqs>
- The USDA GHG Achievable Reduction Tool:
<https://www.rd.usda.gov/programs-services/electric-programs/empowering-rural-america-new-era-program#to-apply>

BENEFICIAL ELECTRIFICATION LEAGUE UPDATES AND SUPPORT

For more information or to stay updated, email: infrastructure@be-league.org