

PART 4288 - Payment Programs

Subpart B - Advanced Biofuel Payment Program

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**PART 4288 - Payment Programs**

**Subpart B - Advanced Biofuel Payment Program**

**§ 4288.101 Purpose and scope.**

(a) **Purpose.** The purpose of this subpart is to support and ensure an expanding production of advanced biofuels by providing payments to eligible advanced biofuel producers. *This will be accomplished by providing the payment to the producers which will encourage the producer to increase production.*

(b) **Scope.** This subpart sets forth, subject to the availability of funds as provided herein, or as may be limited by law, the terms and conditions an advanced biofuel producer must meet to obtain payments under this Program from the United States Department of Agriculture for eligible advanced biofuel production. Additional terms and conditions may be set forth in the Program contract and payment agreement prescribed by the Agency.

**§ 4288.102 Definitions.**

The definitions set forth in this section are applicable for all purposes of program administration under this subpart.

**Advanced biofuel.** A fuel that is derived from renewable biomass, other than corn kernel starch, to include:

- (1) Biofuel derived from cellulose, hemicellulose, or lignin;
- (2) Biofuel derived from sugar and starch (other than ethanol derived from corn kernel starch);
- (3) Biofuel derived from waste material, including crop residue, other vegetative waste material, animal waste, food waste, and yard waste;
- (4) Diesel-equivalent fuel derived from renewable biomass, including vegetable oil and animal fat;

- (5) Biogas (including landfill gas and sewage waste treatment gas) produced through the conversion of organic matter from renewable biomass; *Landfills are required to segregate non-renewable and renewable biomass to be eligible.*
- (6) Butanol or other alcohols produced through the conversion of organic matter from renewable biomass; or
- (7) Other fuel derived from cellulosic biomass.

Advanced biofuel producer. An individual, corporation, company, foundation, governmental entity, school or other educational facility, association, labor organization, firm, partnership, society, joint stock company, group of organizations, or non-profit entity that produces and sells an advanced biofuel. An entity that blends or otherwise combines advanced biofuels into a blended biofuel is not considered an advanced biofuel producer under this Program. An entity that produces biofuel exclusively under a toll/bailment arrangement/third party production contract is not considered an advanced biofuel producer under this subpart.

Agency. The USDA Rural Development, Rural Business-Cooperative Service or its successor organization.

Alcohol. Anhydrous ethyl alcohol manufactured in the United States and its territories and sold either: (1) For fuel use, rendered unfit for beverage use, produced at a biofuel facility and in a manner approved by the Bureau of Alcohol, Tobacco, Firearms, and Explosives for the production of alcohol for fuel; or

- (2) As denatured alcohol used by blenders and refiners and rendered unfit for beverage use.

Alcohol producer. An advanced biofuel producer authorized by ATF to produce alcohol.

ATF. The Bureau of Alcohol, Tobacco, Firearms, and Explosives of the United States Department of Justice.

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**Bailment.** The temporary placement of control over, or possession of property by an individual or entity, the bailor, into the hands of another, the bailee, for a designated purpose upon which the parties have agreed. For purposes of this program any advanced biofuel produced by a toll producer of any form, or under any form of third-party production agreement, is regarded/considered as produced under bailment and is ineligible for payment; to either bailor or bailee.

**Biodiesel.** A mono alkyl ester, manufactured in the United States and its territories, that meets the requirements of the appropriate ASTM International standard.

**Biofuel.** Fuel derived from renewable biomass.

**Biorefinery.** The term "biorefinery" means a facility (including equipment and processes) that-

- (1) Converts renewable biomass or an intermediate ingredient or feedstock of renewable biomass into any 1 or more, or a combination, of-
  - (i) Biofuels;
  - (ii) Renewable chemicals; or
  - (iii) Biobased products; and
- (2) May produce electricity.

**Blender.** A blender is a processor of fuels who combines two or more fuels, one of which must be an advanced biofuel, for distribution and sale. Producers who blend one or more of their own fuels are not blenders under this definition. *If a producer blends their fuel with ineligible fuel, the payment must be calculated on the percentage of the eligible fuel to the total fuel produced.*

**Certificate of analysis.** A document approved by the Agency that certifies the quality and purity of the advanced biofuel being produced. The document must be from an Agency approved qualified entity.

**Commodity.** Renewable biomass, other than corn kernel starch, used primarily for the purposes of this program, by advanced biofuel producers as feedstock from which to produce/derive advanced biofuel. Eligible renewable biomass is organized into the following commodity categories:

- (1) Title I grains and oilseeds including: Wheat, corn, grain sorghum, barley, oats, and rice; sugars, and starches (other than corn kernel starch); Soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard, crambe, sesame, and peanuts; as identified under Title I, Pub .L. 115-334, and as determined by the Secretary;
- (2) Other oilseeds and nuts including cottonseed, palm, camelina, coconut, and olive; and algae;
- (3) A cellulosic commodity grown for energy purposes, such as, hybrid poplar and other energy trees, switch grass and other energy grasses; cellulose, hemicellulose, or lignin;
- (4) Waste material, including crop residue/Stover, other vegetative waste material/orchard waste, animal waste/manure, food waste/food processing waste, and yard waste/biodegradable solid waste/organic matter;
- (5) Fats, oils, and greases, derived from an agricultural product, including: recycled fats, oils, and greases, such as used cooking oil and reclaimed-industrial grade-distillers' corn/sorghum oil; tallow, white grease, yellow grease, and other livestock renderings; and
- (6) Any animal byproduct (in addition to oils, fats, and greases) that may be used to produce bioenergy, as determined by the Secretary.

**Contract.** Form RD 4288-2, "Advanced Biofuel Payment Program Contract," signed by the eligible advanced biofuel producer and the Agency, that defines the terms and conditions for participating in and receiving payment under this Program.

**Derived.** A process that creates a physical, and/or chemical, and/or biological change in renewable biomass/feedstock. An example of change in physical state includes processing energy grasses and/or woody biomass into pellets. An example of a biological change is the anaerobic digestion of livestock manure and food processing waste into biogas. Examples of chemical changes include the fatty acid methyl ester processing of fats, oils, and greases into biodiesel; the enzymatic hydrolysis of cellulosic material into fuel ethanol; and the torrefaction (a thermal process) of woody biomass into solid fuel. For purposes of this program, to be derived from renewable biomass at least one such change must occur. To qualify as an advanced

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*biofuel as defined in this subpart, a minimum of one change (physical, chemical, or biological) must occur in the feedstock. The activities of collection, baling, bundling, chopping, or chipping, are NOT considered advanced biofuel production. Baled/rolled energy grasses, chipped woody biomass, and chopped firewood are not eligible advanced biofuels. In these examples no conversion process is evident. Payments will be made for the production of advanced biofuels in which the renewable biomass/feedstock (other than corn kernel starch), has undergone a conversion process, as described.*

**Eligible advanced biofuel producer.** A producer of advanced biofuels that meets all requirements of § 4288.110 of this subpart.

**Eligible renewable biomass.** Renewable biomass, as defined in this section, excluding corn kernel starch. See also Commodity.

**Eligible renewable energy content.** That portion of an advanced biofuel's energy content derived from eligible renewable biomass feedstock. The energy content from any portion of the biofuel, whether from, for example, blending with another fuel or a denaturant, that is derived from a non-eligible renewable biomass feedstock (e.g., corn kernel starch) is not eligible for payment under this Program.

**Enrollment application.** Form RD 4288-1, "Advanced Biofuel Payment Program Annual Application," which is submitted by advanced biofuel producers for participation in this Program.

**Ethanol.** Anhydrous ethyl alcohol manufactured in the United States and its territories and sold either:

- (1) For fuel use, and which has been rendered unfit for beverage use and produced at an advanced biofuel facility approved by the ATF for the production of ethanol for fuel, or
- (2) As denatured ethanol used by blenders and energy refiners, which has been rendered unfit for beverage use.

**Ethanol producer.** An advanced biofuel producer authorized by ATF to produce ethanol.



**Final product.** A product of a biorefinery that is ready for sale/distribution without further processing. For purposes of this program, an advanced biofuel is a Final Product eligible for payment if it is ready for distribution and sale as a fuel. For example, a biodiesel producing company might sell its biodiesel, having met the quality requirements per the applicable ASTM International standard, ASTM D6751, and commercially acceptable quality standards of the local market, as a final product. This definition would preclude from consideration, for example, waste fry oil/grease, as an eligible advanced biofuel, as it is not a Final Product of a biorefinery. Also excluded from consideration are: chopped firewood, wood chips, baled energy grasses and straw.

**Fiscal Year.** A 12-month period beginning each October 1 and ending September 30 of the following calendar year.

**Flared gas.** The burning of unwanted gas through a pipe (also called a flare). Flaring is a means of disposal used when the operator cannot transport the gas to market or convert to electricity and cannot use the gas for any other purpose.

**Large producer.**

(1) An advanced biofuel producer which in the prior fiscal year, produced more than:

(i) 150,000,000 gallons of liquid advanced biofuel per year;  
or

(ii) 15,900,000 Million British Thermal Units (MMBTU) of biogas and/or solid advanced biofuel per year.

(2) The amount of gallons and MMBTUs listed in paragraphs (1)(i) and (ii) of this definition include the advanced biofuel production at all facilities, in the United States, in which the producer and/or its parent company(ies) have a 50-percent or greater ownership.

**Parent company.** A company/corporation that has a controlling interest in another company/corporation, giving it control of its operations. The company is deemed a subsidiary of the parent company.

**Payment application.** Form RD 4288-3, "Advanced Biofuel Payment Program - Payment Request," which is submitted by an eligible advance producer to the Agency in order to receive payment under this Program.

**Quarter.** The Federal fiscal time period for any fiscal year as follows:

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- (1) 1<sup>st</sup> Quarter (denoted as Q1): October 1 through December 31;
- (2) 2<sup>nd</sup> Quarter (Q2): January 1 through March 31;
- (3) 3<sup>rd</sup> Quarter (Q3): April 1 through June 30; and
- (4) 4<sup>th</sup> Quarter (Q4): July 1 through September 30.

Renewable biomass.

(1) Materials, pre-commercial thinnings, or invasive species from National Forest System land and public lands (as defined in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702)) that:

(i) Are byproducts of preventive treatments that are removed to reduce hazardous fuels; to reduce or contain disease or insect infestation; or to restore ecosystem health;

(ii) Would not otherwise be used for higher-value products; and

(iii) Are harvested in accordance with applicable law and land management plans and the requirements for old-growth maintenance, restoration, and management direction of paragraphs (e) (2), (e) (3), and (e) (4) and large-tree retention of paragraph (f) of section 102 of the Healthy Forests Restoration Act of 2003 (16 U.S.C. 6512); or

(2) Any organic matter that is available on a renewable or recurring basis from non-Federal land or land belonging to an Indian or Indian tribe that is held in trust by the United States or subject to a restriction against alienation imposed by the United States, including:

(i) Renewable plant material, including feed grains; other agricultural commodities; other plants and trees; and algae; and

(ii) Waste material, including crop residue; other vegetative waste material (including wood waste and wood residues); animal waste and byproducts (including fats, oils, greases, and manure); and food waste and yard waste.

**Sale.** A transaction between two or more parties, typically a buyer and a seller, in which goods or services are exchanged for money or other assets.

**Sign-up period.** The time period during which the Agency will accept enrollment applications. *Existing and new producers must complete the application form each year to be considered eligible for a payment.*

**State.** Any of the 50 States of the United States, the Commonwealth of Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

**Third party production.** Third party production involves outsourcing production processes to a third-party company whereby the third-party company, hired to produce, is supplying the manufacturing process as well as sourcing the raw materials/commodity feedstock. The contract producer is responsible for manufacturing the product to specification and disposition/delivery requirements. For purposes of this program, any advanced biofuel produced under a contractual third-party production agreement is ineligible for payment. A producer that is strictly a third-party contractor produces no eligible advanced biofuel.

**Toll producer.** See also bailment. Toll production/manufacturing is an arrangement, where a company with specialized equipment processes raw materials or unfinished goods for a different company. A toll producer of advanced biofuels produces advanced biofuels for another company. For purposes of this program, any advanced biofuel produced by a toll producer of any form, or under any form of third-party production agreement, is regarded/considered as produced under bailment and is ineligible for payment.

**USDA.** The United States Department of Agriculture.

§ 4288.103 Review or appeal rights.

A person may seek a review of an Agency decision or appeal to the National Appeals Division in accordance with 7 CFR part 11 of this title.

§ 4288.104 Compliance with other laws and regulations.

(a) Advanced biofuel producers must comply with other applicable Federal, State, and local laws, including, but not limited to, the Equal Employment Opportunity Act, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, The Age Discrimination Act of 1975, the American with Disabilities Act of 1990, and 7 CFR part 1901, subpart E. This includes collection and maintenance of race, sex, and national origin data of the recipient's employee.

(b) Producers must comply with equal opportunity and nondiscriminatory requirements in accordance with 7 CFR 15d. Rural Development will not discriminate against an applicant on the bases of race, color, religion, national origin, sex, marital status, familial status, disability, or age (provided that the applicant has the capacity to contract); to the fact that all or part of the applicant's income derives from public assistance program; or to the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

§ 4288.105 Oversight and monitoring.

(a) Verification. The Agency reserves the right to verify all payment applications and subsequent payments made under this subpart, as frequently as necessary, to ensure the integrity of the Program. The Agency will conduct site visits as necessary. *Site visits should be conducted at least once a year.*

(1) Production and feedstock verification. The Agency will review producer records to verify the type and amount of biofuel produced and the type and amount of commodity/eligible renewable biomass used.

(2) Blending verification. The records Agency will review the producer's certificates of analysis and feedstock to verify the portion of the advanced biofuel eligible for payment. *If a producer is blending feedstocks to produce the advanced biofuel, the Agency must review the records before payment to verify the type and percentage of eligible renewable biomass used to calculate the payment.*

(3) Certificate of Analysis. The Agency will review the producer records for quarterly payments to ensure that each Certificate of Analysis has been issued by an Agency-approved qualified entity, which may include the blender only if the blender is not associated with the biorefinery.

(b) Records. For the purpose of verifying compliance with the requirements of this subpart, each eligible advanced biofuel producer shall make available at one place at a reasonable time for examination by representatives of USDA, all books, papers, records, contracts, scale tickets, settlement sheets, invoices, written price quotations, and other documents related to the Program that is within the control of such advanced biofuel producer for not less than 3 years from each Program payment date.

§ 4288.106 Forms, regulations, and instructions.

Copies of all forms, regulations, instructions, and other materials related to this Program may be obtained from the USDA Rural Development State Office, Rural Energy Coordinator and the USDA Rural Development Web site at <https://www.rd.usda.gov/>.

§ 4288.107 Exception authority.

The Administrator of the Agency ("Administrator") may, with the concurrence of the Secretary of Agriculture, make an exception, on a case-by-case basis, to any requirement or provision of this subpart that is not inconsistent with any authorizing statute or applicable law, if the Administrator determines that application of the requirement or provision would adversely affect the Federal government's interest. *All requests must be submitted in writing by the State Director to the Energy Division. Requests must be supported by documentation to explain the adverse effect on the Federal Government's interest, propose alternative courses of action, and show how the adverse effect will be eliminated or minimized if the exception is granted.*

§§ 4288.108 - 4288.109 [Reserved]

§ 4288.110 Applicant eligibility.

Sections 4288.110 through 4288.119 present the requirements associated with advanced biofuel producer eligibility, biofuel eligibility, eligibility notifications, and payment record requirements. To be eligible for this Program, the applicant must meet the requirements specified in paragraph (a) of this section and must provide additional information as may be requested by the Agency under paragraph (b) of this section. Public bodies and educational institutions are not eligible for this Program.

(a) Eligible producer. The applicant must be an advanced biofuel producer, as defined in this subpart.

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(b) Eligibility determination. The Agency will determine an applicant's eligibility for participation in this Program. If an applicant's original submittal is not sufficient to verify an applicant's eligibility, the Agency will notify the applicant, in writing, as soon as practicable after receipt of the application. This notification will identify, at a minimum, the additional information being requested to enable the Agency to determine the applicant's eligibility and a timeframe in which to supply the information.

*Eligibility determination should be completed within 30 days of the receipt of the application. The Agency should notify the applicant within 15 days after the determination is completed.*

(1) If the applicant provides the requested information to the Agency within the specified timeframe, the Agency will determine the applicant's eligibility for the upcoming fiscal year.

(2) If the applicant does not provide the requested information to the Agency within the specified timeframe, the Agency will not consider the applicant any further for participation in the upcoming fiscal year. Such applicants may elect to enroll during the next sign-up period.

(c) Ineligibility determination. An otherwise eligible producer will be determined to be ineligible if the producer:

(1) Refuses to allow the Agency to verify any information provided by the producer under this subpart, including information for determining applicant eligibility, advanced biofuel eligibility, and application payments;

2) Fails to meet any of the conditions set out in this subpart, in the contract, or in other Program documents; or

(3) Fails to comply with all applicable Federal, State, or local laws. *Examples include: judgment against the producer; non-compliance of environmental requirements; delinquent on Federal debt; and lawsuits that result from non-payment of products, benefits, or salary.*

§ 4288.111 Biofuel eligibility.

To be eligible for this Program, a biofuel must meet the requirements specified in paragraph (a) of this section, and must not be listed in paragraph (b) of this section, and the biofuel's producer must provide additional information as may be requested by the Agency under paragraph (c) of this section.

(a) Eligible advanced biofuel. For an advanced biofuel to be eligible, each of the following conditions must be met, as applicable:

- (1) The biofuel must meet the definition of Advanced Biofuel and be produced in a State;
- (2) The advanced biofuel must be a solid, liquid, or gaseous advanced biofuel;
- (3) The advanced biofuel must be a Final Product; and
- (4) The advanced biofuel must be sold as an advanced biofuel through an arm's length transaction to a third party.

(b) Ineligible fuels. Notwithstanding the provisions of paragraph (a) of this section, for the purposes of this program, the following fuels, and as may be supplemented by the Agency through the publication of documents in the Federal Register, are not eligible for payment:

- (1) Flared gases;
- (2) Fuels derived from paper milling and other processes commonly ascribed to wood products manufacturing and generically referred to as liquor (e.g., black liquor, red liquor, brown liquor, white liquor, green liquor, etc.), which typically are blended with diesel and burned as boiler fuel;
- (3) Biofuels produced from solid eligible renewable biomass primarily by mechanical means, whether by hand or by machine, such as collecting, baling, bundling, chopping, screening, and chipping of the renewable biomass. Examples of ineligible biofuels that are not eligible advanced biofuels for the purposes of this subpart include, but are not limited to, baled energy grasses, chipped or chunked woody biomass, and chopped or split firewood; and
- (4) Any advanced biofuel produced under bailment or third-party production contract and/or any variation thereof.

(c) Eligibility determination. The Agency will determine a biofuel's eligibility for payment under this Program. If an applicant's original submittal is not sufficient to verify a biofuel's eligibility, the Agency will notify the applicant, in writing, as soon as practicable after receipt of the application. This notification will identify, at a minimum, the additional information being requested to enable the Agency to determine the biofuel's eligibility and a timeframe in which to supply the information.

## § 4288.111(c) (Con.)

(1) If the applicant provides the requested information to the Agency within the specified timeframe, the Agency will determine the biofuel's eligibility for the upcoming fiscal year.

(2) If the applicant does not provide the requested information to the Agency within the specified timeframe, the biofuel will not be eligible for payment under this Program in the upcoming fiscal year. Applicants may elect to include such biofuels in the application form submitted during the next sign-up period.

§ 4288.112 Eligibility notifications.

(a) Applicant eligibility. If an applicant is determined by the Agency to be eligible for participation, the Agency will notify the applicant, in writing, as soon as practicable after receipt of the application and will assign the applicant a contract number. *This should be accomplished within 30 days of the receipt of the application.*

(b) Ineligibility notifications. If an applicant or a biofuel is determined by the Agency to be ineligible, the Agency will notify the applicant, in writing, as soon as practicable after receipt of the application, as to the reason(s) the applicant or biofuel was determined to be ineligible. Such applicant will have appeal rights as specified in this subpart. *This should be accomplished within 30 days of receipt of the application.*

(c) Subsequent ineligibility determinations. If at any time a producer or an advanced biofuel is determined to be ineligible, the Agency will notify the producer in writing of its determination. *This should be accomplished within 30 days of the documentation/action which prompted the ineligibility determination.*

§ 4288.113 Payment record requirements.

To be eligible for Program payments, an advanced biofuel producer must maintain records for all relevant fiscal years and fiscal year quarters for each advanced biofuel facility indicating:

(a) The type of eligible renewable biomass used in the production of advanced biofuel;

(b) The quantity of advanced biofuel produced from eligible renewable biomass at each advanced biofuel facility;



(c) The quantity of eligible renewable biomass used at each advanced biofuel facility to produce the advanced biofuel; and

(d) All other records required to establish Program eligibility and compliance.

§§ 4288.114 - 4288.119 [Reserved]

§ 4288.120 Enrollment.

In order to participate in the Program, a producer of advanced biofuels must be approved by the Agency and enter into a contract with the Agency. The process for enrolling in the Program is presented in this section. Advanced biofuel producers who expect to produce eligible advanced biofuels at any time during a fiscal year must enroll in the Program as described in this section.

(a) Enrollment. To enroll in the Program, an Advanced Biofuel Producer must submit to the Agency a completed Enrollment Application during the applicable Sign-up Period, as specified in paragraph (b) of this section. Applicants must be registered in the System for Award Management (SAM) prior to submitting an application; which can be obtained at no cost via a toll-free request line at (866) 705-5711 or online at [www.sam.gov/SAM](http://www.sam.gov/SAM). Registration of a new entity in SAM requires an original, signed, and notarized letter stating that the applicant is the authorized Entity Administrator, before the registration will be activated. *Eligible producers must be entered in the Agency's tracking system within 15 days of eligibility or ineligibility determination.*

(1) Eligible advanced biofuel producers must submit enrollment applications during each sign-up period in order to continue participating in this Program. If a participating producer fails to submit the enrollment application during a fiscal year's applicable sign-up period, the producer's contract will be terminated, and the producer will be ineligible to receive payments for that fiscal year. Such a producer must reapply, and sign a new contract, to participate in the Program for future fiscal years.

(2) Eligible advanced biofuel producers may submit an enrollment application during a fiscal year's sign-up period even if the advanced biofuel facility is not currently producing but is scheduled to start producing advanced biofuel in that fiscal year.



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(3) The producer must furnish the Agency all required certifications before acceptance into the Program and furnish access to the advanced biofuel producer's records required by the Agency to verify compliance with Program provisions. The required certifications depend on the type of biofuel produced. Certifications specified in paragraphs (a)(3)(i) through (a)(3)(iv) of this section are to be completed and provided by an accredited independent third party.

(i) Alcohol. For alcohol producers with authority from ATF to produce alcohol, copies of either

(A) The Alcohol Fuel Producers Permit (TTB F 5110.74) or

(B) The registration of Distilled Spirits Plant (TTB F 5110.41) and Operating Permit (TTB F 5110.25).

(ii) Hydrous ethanol. For hydrous ethanol that is upgraded by another distiller to anhydrous ethyl alcohol, the increased ethanol production is eligible for payment one time only. If the advanced biofuel producer entering into this agreement is:

(A) The hydrous ethanol producer, then the advanced biofuel producer shall include with the contract an affidavit, acceptable to the Agency, from the distiller stating that the:

(1) Applicable hydrous ethanol produced is distilled and denatured for fuel use according to ATF requirements, and

(2) Distiller will not include the applicable ethanol in any payment requests that the distiller may make under this Program.

(B) The distiller that upgrades hydrous ethanol to anhydrous ethyl alcohol, then the advanced biofuel producer shall include with the contract an affidavit, acceptable to the Agency, from the hydrous ethanol producer stating that the hydrous ethanol producer will not include the applicable ethanol in any payment requests that may be made under this Program.

(iii) Biodiesel, biomass-based diesel, and liquid hydrocarbons derived from biomass. For these fuels, the advanced biofuel producer shall certify that the producer, the advanced biofuel facility, and the biofuel meet the definitions of these terms as defined in § 4288.102, the applicable registration requirements under the Energy Independence and Security Act and the Clean Air Act and under the applicable regulations of the U.S. Environmental Protection Agency and Internal Revenue Service, and the quality requirements per applicable ASTM International standards (e.g., ASTM D6751) and commercially acceptable quality standards of the local market. If a Renewable Identification Number (RIN) has been established, the advanced biofuel producer shall also provide documentation of the most recent Renewable Identification Number for a typical gallon of each type of advanced biofuel produced. *If a RIN has not been established, a certificate of analysis which has been issued by an Agency approved qualified entity.*

(iv) Gaseous advanced biofuel. For gaseous advanced biofuel producers, certification that the biofuel meets commercially acceptable pipeline quality standards of the local market; that the flow meters used to determine the quantity of advanced biofuel produced are industry standard and properly calibrated by a third-party professional; and that the readings have been taken by a qualified individual. *A qualified individual must be an independent third party.*

(v) Woody biomass feedstock. If the feedstock is from National Forest System land or public lands, documentation must be provided that it cannot be used as a higher value wood-based product.

(4) Additional forms. Applicants must submit the forms specified in this paragraph with the enrollment application when applying for participation under this subpart and as needed when re-enrolling in the program.

(i) RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."



§ 4288.120(a)(4) (Con.)

(ii) SF-LLL, "Disclosure of Lobbying Activities."

(iii) Form RD 400-4, "Assurance Agreement."

(b) Sign-up period. The sign-up period is October 1 to October 31 of the fiscal year for which payment is sought, unless otherwise announced by the Agency in a Federal Register notice.

§ 4288.121 Contract.

Advanced biofuel producers determined to be eligible to receive payments must then enter into a contract with the Agency in order to participate in this Program.

(a) Contract. The Agency will forward the contract to the advanced biofuel producer. The advanced biofuel producer must agree to the terms and conditions of the contract, sign, date, and return it to the Agency within the time provided by the Agency. *If the producer has an existing contract, a new contract is not required.*

(b) Length of contract. Once signed, a contract will remain in effect until terminated as specified in paragraph (d) of this section.

(c) Contract review. All contracts will be reviewed at least annually to ensure compliance with the contract and ensure the integrity of the program.

(d) Contract termination. Contracts under this Program will be terminated in writing by the Agency. Contracts may be terminated under any one of the following conditions:

- (1) At the mutual agreement of the parties;
- (2) In accordance with applicable Program notices and regulations;
- (3) The advanced biofuel producer withdraws from the Program and so notifies the Agency, in writing;
- (4) The advanced biofuel producer fails to submit the enrollment application during a sign-up period;
- (5) The Program is discontinued or not funded;

(6) All of a participating advanced biofuel producer's advanced biofuel facilities no longer exist or no longer produce any eligible advanced biofuel; or

(7) The Agency determines that the advanced biofuel producer is ineligible for participation.

§§ 4288.122 - 4288.129 [Reserved]

§ 4288.130 Payment applications.

Sections 4288.130 through 4288.189 identify the process and procedures the Agency will use to make payments to eligible advanced biofuel producers. In order to receive payments under this Program, eligible advanced biofuel producers with valid contracts must submit a payment application, as required under paragraph (a) of this section. The Agency will review the payment application and, if necessary, may request additional information, as specified under paragraph (b) of this section.

(a) Applying for payment. To apply for payments under this subpart for a fiscal year, an eligible advanced biofuel producer must:

(1) After a quarter has been completed, submit a **Payment Application covering the quarter;**

*The request for payment form must be received no later than 4:30 p.m. local time 30 days from the end of the quarter. If the producer does not provide the payment request within the specified timeframe, they will not receive a payment for that quarter's production. The producer cannot request a payment for the missed quarter in subsequent quarters*

(2) **Certify that the request is accurate;**

(3) **Furnish the Agency such certification, and access to such records, as the Agency considers necessary to verify compliance with Program provisions; and**

(4) **Provide documentation as requested by the Agency of the net production of advanced biofuel at all advanced biofuel facilities during the relevant quarter.** *Documentation should consist of one of the following: sales receipts; flow meter readings; or production reports.*

§ 4288.130 (Con.)

(b) Review of payment applications. The Agency will review each payment application it receives to determine if it is eligible for payment.

(1) Review factors. Factors that the Agency will consider in reviewing payments applications include, but are not necessarily limited to:

(i) Contract validity. Whether the entity submitting the payment application has a valid contract with the Agency under this Program;

(ii) Biofuel eligibility. Whether the biofuel for which payment is sought is an eligible advance biofuel; and

(iii) Calculations. Whether the calculations for determining the requested payment are complete and accurate. *The calculation of the payment each quarter will be accomplished once all eligible producers' actual production is entered in the tracking system. Data tracking should be completed within 15 days of the receipt of request for payment.*

(2) Additional documentation. If the Agency determines additional information is required for the Agency to complete its review of a payment application, eligible advanced biofuel producers shall submit such additional supporting documentation as requested by the Agency. If the producer does not provide the requested information within the required time period, the Agency will not make payment.

(c) Payment application eligibility. The Agency will notify the advanced biofuel producer, in writing, as soon as practicable after the payment application, whenever the Agency determines that a payment application, or any portion thereof, is ineligible for payment and the basis for the Agency's determination of ineligibility. *This should be accomplished within 30 days of the receipt of the request for payment.*

(d) Submittal information. Unless otherwise specified in a notice published in the Federal Register, eligible advanced biofuel producers must submit payment applications for this Program no later than 4:30 p.m. local time on the last day of the calendar month following the quarter for which payment is being requested. No payment applications received after the specified date and time will be considered, regardless of the postmark on the application.



(1) Any payment application form that is received by the Agency after October 31 of the calendar year for the preceding fiscal year is ineligible for payment.

(2) If the actual deadline falls on a weekend or a Federally-observed holiday, the deadline is the next Federal business day.

§ 4288.131 Payment provisions.

Payments to advanced biofuel producers for eligible advanced biofuel production will be determined in accordance with the provisions of this section.

(a) Actual production. Participating producers will be paid on a quarterly basis for the actual quantity of eligible advanced biofuel produced during the quarter. Payment for actual production will be determined according to paragraph (d) of this section.

(b) Amount of payment funds available. Based on the amount of funds made available to this program each fiscal year, the Agency will allocate available program funds according to paragraphs (c), (d), and (e) of this section.

(c) Quarterly allocations. For each fiscal year, the Agency will allocate in each quarter one-fourth of the funds identified in paragraph (b) of this section allocated for the entire fiscal year.

(d) Determination of payment rate. Each quarter, the Agency will establish an actual production payment rate using the procedures specified in paragraphs (d)(1) through (d)(4) of this section. This rate will be applied to the actual quantity of eligible advanced biofuel produced to determine payments to eligible advanced biofuel producers.

(1) Based on the information provided in each payment application, the Agency will determine the eligible advanced biofuel production. If the Agency determines that the amount of advanced biofuel production reported in a payment application is not supported by the documentation submitted with the payment application, the Agency may revise the reported production to an amount that is commensurate with the submitted documentation.

§ 4288.131(d) (Con.)

(2) For each producer, the Agency will convert the production determined to be eligible under paragraph (c) of this section into British Thermal Unit (BTU) equivalent using factors published by the Energy Information Administration (EIA) (or successor organization). If the EIA does not publish such conversion factor for a specific type of advanced biofuel, the Agency will use a conversion factor developed by another appropriate entity. If no such conversion factor exists, the Agency will, in consultation with other Federal agencies, establish and use a conversion formula as appropriate, until the EIA or other appropriate entity publishes a conversion factor for said advanced biofuel. The Agency will then calculate the total eligible BTUs across all eligible applications.

(3) For each quarter, the Agency will determine the actual production payment rate (\$/BTU) based on paragraphs (b), (c), and (d) of this section. The rate will be calculated such that all quarterly funds for actual production will be distributed, subject to the payment provisions specified in paragraph (e) of this section.

(4) Using the actual production payment rate determined and the actual production for each type of advanced biofuel produced at an advanced biofuel facility, the Agency will calculate each quarter payment for each eligible advanced biofuel producer for that quarter.

(e) Other payment provisions. The following provisions apply:

(1) Notwithstanding any other provisions in this section, the Agency will provide payments to one or more eligible advanced biofuel producers from a single eligible Commodity, including intermediate ingredients of that single Commodity or use of that single Commodity and its intermediate ingredients in combination with another Commodity, of not more than one-third of available program funds in each quarter.

(i) Payments to producers for advanced biofuel derived from a commodity listed in Title I grains and oilseeds (as defined paragraph (1) of the definition of commodity in § 4288.102), are subject to the one-third limitation as tracked individually for each commodity. For example, with respect to the Title I grains and oilseeds commodity - grain sorghum, all payments for the quarter to producers of advanced biofuel derived from grain sorghum are tabulated and subject to the one-third payment limitation. This is similarly true for each commodity listed under Title I grains and oilseeds -- barley, oats, rice, soybeans, etc.

(ii) Payments to producers for advanced biofuel derived from a commodity listed in paragraphs (2) through (6) of the definition of commodity in § 4288.102, inclusively, are subject to the one-third limitation as tracked cumulatively with each commodity group. For example, with respect to the commodity in paragraph (2) of the definition of commodity (other oilseeds and nuts including cottonseed, palm, camelina, coconut, and olive and algae), all payments for the quarter to producers of fuel derived from "other oilseeds, nuts and algae" are tabulated cumulatively (all are tracked as "Other oilseeds, nuts, and algae" whether olive, or coconut, or camelina, etc.) and subject cumulatively to the one-third payment limitation. This is similarly true for the commodity in paragraphs (3) through (6) of the definition of commodity.

(2) Notwithstanding any other provision of this section, the Agency will provide payments to large producers of not more than five (5) percent of available program funds in any fiscal year. At any time during the year, if the limit on payments to large producers would be reached, the Agency will pro-rate payments to large producers based on the BTU content of their eligible advanced biofuel production so as not to exceed the limit. *Payments to large producers are also subject to the commodity payment limitation, must be included when calculating the commodity payment limitation, and may be reduced by an amount sufficient to ensure the one-third of available funds payment limit is not exceeded. Payments to producers for advanced biofuel derived from a commodity listed in (A) are tracked individually for each commodity, e.g., grain sorghum, soybeans/soybean oil, and sunflower seeds/sunflower oil. Each commodity listed in (A) is subject to the one-third of available fund limitation.*

(3) Notwithstanding any other provision of this section, the Agency will provide payments to any eligible advanced biofuel producer, that is not a large producer, of not more than 8 percent of Available funds in any fiscal year. At any time during the year, if the 8 percent to the advanced biofuel producer would be reached, the Agency will pro-rate payments based on the BTU content of the eligible advanced biofuel production so as not to exceed the limit.

§ 4288.131(e) (Con.)

(4) Advanced biofuel producers will be paid based on the amount of eligible renewable energy content of the advanced biofuels only if the producer provides sufficient documentation, including a Certificate of Analysis, for the Agency to determine the eligible renewable energy content for which payment is being requested, and quantity produced through such documentation as, but not limited to, records of sale and calibrated flow meter records.

(5) Payment will be made to only one eligible advanced biofuel producer per biorefinery/advanced biofuel facility. If a producer owns more than one facility, the Agency's tracking system will add all actual BTUs and calculate one payment amount. For facilities owned by more than one producer, only one payment will be issued per facility.

(6) Subject to other provisions of this section, advanced biofuel producers shall be paid any sum due subject to the requirements and refund provisions of this subpart.

(7) A producer will be paid only for the advanced biofuels identified in the enrollment application submitted during the sign-up period and which are produced during the fiscal year. If the producer starts producing a new advanced biofuel or changes the type of advanced biofuel during the fiscal year, the producer will not receive any payments for those new advanced biofuels. However, during each sign-up period, a producer may identify new advanced biofuels and production levels compared to the previous year.

(8) When determining the quantity of eligible advanced biofuel, if an applicant is blending its advanced biofuel using ineligible feedstocks (e.g., fossil gasoline or methanol, corn kernel starch), only the quantity of advanced biofuel being produced from Renewable Biomass, other than corn kernel starch, will be used in determining the payment rates and for which payments will be made.

§ 4288.132 Payment adjustments.

The Agency will adjust the payments otherwise payable to the advanced biofuel producer if there is a difference between the amount actually produced and the amount determined by the Agency to be eligible for payment.

§ 4288.133 Payment liability.

Any payment, or portion thereof, made under this subpart shall be made without regard to questions of title under state law and without regard to any claim or lien against the advanced biofuel, or proceeds thereof, in favor of the owner or any other creditor except agencies of the U.S. Government.

§ 4288.134 Refunds and interest payments.

An eligible advanced biofuel producer who receives payments under this subpart may be required to refund such payments as specified in this section. If the Agency suspects fraudulent representation through its site visits and records inspections under § 4288.105(b), it (*producer*) will be referred to the Office of Inspector General for appropriate action.

(a) An eligible advanced biofuel producer receiving payments under this subpart shall become ineligible if the Agency determines the advanced biofuel producer has:

- (1) Made any fraudulent representation; or
- (2) Misrepresented any material fact affecting a Program determination.

(b) If an Agency determination that a producer is not eligible for participation under this subpart is appealed and overturned, the Agency will make appropriate and applicable payments to the producer from Program funds, to the extent such funds are available, that remain from the fiscal year in which the original adverse Agency decision was made.

(c) All payments made to an entity determined by the Agency to be ineligible shall be refunded to the Agency with interest and other such sums as may become due, including, but not limited to, any interest, penalties, and administrative costs as determined appropriate under 31 CFR 901.9.

(d) When a refund is due, it shall be paid promptly. If a refund is not made promptly, the Agency may use all remedies available to it, including Treasury offset under the Debt Collection Improvement Act of 1996, financial judgment against the producer, and referral to the Department of Justice.

§ 4288.134 (Con.)

(e) Late payment interest shall be assessed on each refund in accordance with the provisions and rates as established by the United States Treasury.

(1) Interest charged by the Agency under this subpart shall be established by the United States Treasury. Such interest shall accrue from the date such payments were made by the Agency to the date of repayment by the producer.

(2) The Agency may waive the accrual of interest or damages if the Agency determines that the cause of the erroneous payment was not due to any action of the advanced biofuel producer.

(f) Any advanced biofuel producer or person engaged in an act prohibited by this section and any advanced biofuel producer or person receiving payment under this subpart shall be jointly and severally liable for any refund due under this subpart and for related charges.

§ 4288.135 Unauthorized payments and offsets.

When unauthorized assistance has been made to an advanced biofuel producer under this Program, the Agency reserves the right to collect from the recipient the sum that is determined to be unauthorized. If the recipient fails to pay the Agency the unauthorized assistance plus other sums due under this section, the Agency reserves the right to offset that amount against Program payments. *This should be accomplished within 30 days after the Agency determined the payment was unauthorized.*

(a) Unauthorized assistance. The Agency will seek to collect from recipients all unauthorized assistance made under this Program using the procedures specified in paragraphs (a)(1) through (a)(4) of this section.

(1) Notification to the producer. Upon determination that unauthorized assistance has been made to an advanced biofuel producer under this Program, the Agency will send a demand letter to the producer. Unless the Agency modifies the original demand, it will remain in full force and effect. The demand letter will:

(i) Specify the amount of unauthorized assistance, including any accrued interest to be repaid, and the standards for imposing accrued interest;

(ii) State the amount of penalties and administrative costs to be paid, the standards for imposing them and the date on which they will begin to accrue;

(iii) Provide detailed reason(s) why the assistance was determined to be unauthorized;

(iv) State the amount is immediately due and payable to the Agency;

(v) Describe the rights the producer has for seeking review or appeal of the Agency's determination pursuant to 7 CFR part 11;

(vi) Describe the Agency's available remedies regarding enforced collection, including referral of debt delinquent after due process for Federal salary, benefit and tax offset under the Department of Treasury Offset Program; and

(vii) Provide an opportunity for the producer to meet with the Agency and to provide to the Agency facts, figures, written records, or other information that might refute the Agency's determination.

(A) If the producer meets with the Agency, the producer will be given an opportunity to provide information to refute the Agency's findings.

(B) When requested by the producer, the Agency may grant additional time for the producer to assemble documentation. Such extension of time for payment will be valid only if the Agency documents the extension in writing and specifies the period in days during which period the payment obligation created by the demand letter (but not the ongoing accrual of interest) will be suspended. Interest and other charges will continue to accrue pursuant to the initial demand letter during any extension period unless the terms of the demand letter are modified in writing by the Agency.

(2) Payment in full. If the producer agrees with the Agency's determination or will pay the amount in question, the Agency may allow a reasonable period of time (usually not to exceed 90 days) for the producer to arrange for repayment. The amount due will be the unauthorized payments made plus interest accrued beginning on the date of the demand letter at the interest rate stipulated until the date paid unless otherwise agreed, in writing, by the Agency.





§ 4288.135(a) (Con.)

(3) Promissory note. If the producer agrees with the Agency's determination or is willing to pay the amount in question but cannot repay the unauthorized assistance within a reasonable period of time, the Agency will convert the unauthorized assistance amount to a loan provided all of the conditions specified in paragraphs (a) (3) (i) through (a) (3) (iii) of this section are met. Loans established under this paragraph will be at the Treasury interest rate in effect on the date the financial assistance was provided and that is consistent with the term length of the promissory note. In all cases, the receivable will be amortized per a repayment schedule satisfactory to the Agency that has the producer pay the unauthorized assistance as quickly as possible, but in no event will the amortization period exceed fifteen (15) years. The producer will be required to execute a debt instrument to evidence this receivable, and the best security position practicable in a manner that will adequately protect the Agency's interest during the repayment period will be taken as security.

(i) The producer did not provide false information;

(ii) It would be highly inequitable to require prompt repayment of the unauthorized assistance; and

(iii) Failure to collect the unauthorized assistance immediately will not adversely affect the Agency's interests.

(4) Appeals. Appeals resulting from the demand letter prescribed in paragraph (a) (1) of this section will be handled according to the provisions of § 4288.103. All appeal provisions will be concluded before proceeding with further actions.

(b) Offsets. Failure to make payment as determined under paragraph (a) of this section will be treated by the Agency as a debt that can be collected by an Administrative offset, unless written agreements to repay such debt as an alternative to administrative offset is agreed to between the Agency and the producer.

## § 4288.135(b) (Con.)

(1) Any debtor who wishes to reach a written agreement to repay the debt as an alternative to administrative offset must submit a written proposal for repayment of the debt, which must be received by the Agency within 20 calendar days of the date the notice was delivered to the debtor. In response, the Agency will notify the debtor in writing whether the proposed agreement is acceptable. In exercising its discretion, the Agency will balance the Government's interest in collecting the debt against fairness to the debtor.

(2) When the Agency receives a debtor's proposal for a repayment agreement, the offset is stayed until the debtor is notified as to whether the initial agreement is acceptable. If a Government payment will be made before the end of the fiscal year and the review is not yet completed, payment will be deferred pending resolution of the review.

§ 4288.136 Remedies.

In addition to the steps available under the provisions of §§ 4288.134 and 4288.135, if the Agency has determined that a producer has misrepresented the information or defrauded the Government, the Agency will take one of the following steps in accordance to 7 CFR part 3017, Government-wide Debarment and Suspension:

- (a) Suspend payments on the Contract until the violation has been reconciled;
- (b) Terminate the Contract; or
- (c) Debarment to participate in any Federal Government program.

§ 4288.137 Succession and loss of control of advanced biofuel facilities and production.

(a) Contract succession. An entity who becomes the eligible advanced biofuel producer for an advanced biofuel facility that is under contract under this subpart must request permission from the Agency to succeed to the Program contract and the Agency may grant such request if it is determined that the entity is an eligible producer and permitting such succession would serve the purposes of the Program. If appropriate, the Agency may require the consent of the previous eligible advanced biofuel producer to such succession. *The request must be in writing and the Agency must approve prior to the next application submittal or payment request, whichever comes first.*

§ 4288.137 (Con.)

**(b) Loss of control.** Payments will be made only for eligible advanced biofuels produced at an advanced biofuel facility owned or controlled by an eligible advanced biofuel producer with a valid contract. If payments are made to an advanced biofuel producer for production at an advanced biofuel facility no longer owned or controlled by said producer or to an otherwise ineligible advanced biofuel producer, the Agency will demand full refund of all such payments. *If a payment was made to an advanced biofuel producer who no longer controls the facility, the producer must pay back the full amount of the payment. If the producer does not return the funds, the Agency will process the payment as unauthorized assistance.*

§§ 4288.138 - 4288.200 [Reserved]

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**Appendix A.** *Program Working Definitions and Lists of Examples for Commodity.*

This appendix provides program working definitions and lists of examples for each of the six commodity categories specified in SS 4288.102, Commodity.

*(A) Title I Grains and oilseeds including: Wheat, ~~corn~~, grain sorghum, barley, oats, and rice; sugars, and starches (other than corn kernel starch); Soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard, crambe, sesame, and peanuts; as identified under Title I, P.L. 115-334, and as determined by the Secretary.*

(A)	Title 1 Grains and oilseeds	
	Barley	
	Grain Sorghum	
	Oats	
	Rice	
	Starches (Other than Corn Kernel)	
	Sugars	
	Wheat	
	Canola/Rapeseed	Canola Oil
	Crambe	Crambe Oil
	Flaxseed	Flaxseed Oil
	Mustard	Mustard Seed Oil
	Peanuts	Peanut Oil
	Safflower	Safflower Oil
	Sesame	Sesame Oil
	Soybeans	Soybean Oil
	Sunflower Seed	Sunflower Oil

(B) Other oilseeds and nuts including cottonseed, palm, camelina, coconut, and olive; and algae.

(B)	Other Oilseeds, Nuts, and Algae	
		Algae Oil
		Camelina Oil
		Coconut Oil
		Cottonseed Oil
		Olive Oil
		Palm Oil
		Other Oil (Organic)

(C) A cellulosic commodity grown for energy purposes, such as, hybrid poplar and other energy trees, switch grass and other energy grasses; cellulose, hemicellulose, or lignin. Includes cellulosic components of (non-Title I) annual cover crops.

(C)	Cellulosic Commodities	
		Cellulosic Materials - Corn Kernel Fiber
		Cellulosic Materials - Hemicellulose
		Cellulosic Materials - Lignin
		Cellulosic Materials - Other
		Energy Crops (Not in Group A)
		Energy Grasses
		Energy Trees

(D) Waste material, including crop residue/Stover, other vegetative waste material/orchard waste, animal waste/manure, food waste/food processing waste, and yard waste/biodegradable solid waste/organic matter.

(D)	Waste Material	
		Agricultural Vegetative Waste
		Animal Waste/Manure/Litter
		Beverage/Food Processing Waste
		Biodegradable Municipal Waste
		Biodegradable Solid waste
		Corn Kernel Fiber
		Fibers
		Filter Cake
		Fish Waste
		Food Processing Sugar
		Stover
		Sugar Bagasse
		Wheat Starch Slurry
		Wood Waste
		Yard Waste
		Other

(E) Fats, oils, and greases, derived from an agricultural product, including: recycled fats, oils, and greases, such as used cooking oil and reclaimed-industrial grade-distillers' corn/sorghum oil; tallow, white grease, yellow grease, and other livestock renderings.

(E)	Fats, Oils, and Greases	
		Animal Fat/Renderings/Tallow
		Distillers Corn/Sorghum Oil/Syrup
		Fatty Acid
		Fish Oil
		Glycerin (Organic Lipids)
		Greases-yellow/white/other
		Used Cooking Oil/Recycled Oil

(F) *Animal byproducts.* Any animal byproducts, other than fats, oils, greases, that may be used to produce bioenergy, as determined by Secretary.

(F)	Animal Byproducts (NOT fats, oils, greases)	
		Blood/Digestate
		Organic Substrates/Sludge
		Other Byproducts



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**Appendix B. Illustration of Commodity Payment Limitations**

The following paragraphs describe the process used to determine payment rates and payments throughout the course of a fiscal year to ensure that the statutory payments limitations are not exceeded.

**4288.131(e)(2) Notwithstanding any other provision, the Agency will provide payments to one or more eligible Advanced Biofuel Producers from a single eligible Commodity, including intermediate ingredients of that single Commodity or use of that single Commodity and its intermediate ingredients in combination with another Commodity, of not more than one-third of available program funds in each quarter.**

Payments to producers for advanced biofuel derived from a Commodity listed in (A) Title I grains and oilseeds, are subject to the one-third limitation as tracked individually for each Commodity.

Payments to producers for advanced biofuel derived from Commodity group (B) through (F), inclusively, are subject to the one-third limitation as tracked cumulatively with each Commodity group.

Payments to Large Producers are also subject to the Commodity Payment limitation, must be included when calculating the Commodity payment limitation, and may be reduced by an amount sufficient to ensure the one-third of available funds payment limit is not exceeded.

**Calculate Quarterly Payment.**

Funds available for fiscal year / 4 = amount available for the Q  
For example: \$7 million per year / 4 Q = \$1,750,000

**Calculate the Payment Rate.**

Amount available for the Q / total BTU production for the Q = BTU rate for Q production  
For example: \$1,750,000 payment / 5.2318E+13 Btu = \$0.000000033449

**Calculate Producer Payments.**

An individual producer initial payment is calculated as the producer's eligible advanced biofuel production for the quarter multiplied by the quarterly payment rate.

Using the Q1 payment rate assumption above, four representative producer payments are calculated.

	Production Btu	Payment rate per Btu	Payment
		<b>\$0.000000033449</b>	
ALPHA ANAEROBIC DIGESTER	2.3327E+10		\$780
BETA SOLID FUEL	1.1747E+12		\$39,293
GAMMA BIODIESEL	3.0233E+12		\$101,126
DELTA FUEL ETHANOL	5.0573E+11		\$16,916

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**Calculate Commodity Payments.**

Producer payment requests require that all Commodity/feedstocks and quantity used in eligible advanced biofuel production be identified. Commodity payments are calculated for each representative producer using the submitted payment request application, as demonstrated below.

	Production Btu	Payment rate per Btu	Payment	
		<b>\$0.000000033449</b>		
<b>ALPHA ANAEROBIC DIGESTER</b>	<b>2.3327E+10</b>		<b>\$780</b>	
(D) WASTE MATERIAL -- ANIMAL WASTE/MANURE/LITTER	2.2161E+10	\$741		95%
(F) ANIMAL BYPRODUCTS -- BLOOD/DIGESTATE	1.1664E+09	\$39		5%
<b>BETA SOLID FUEL</b>	<b>1.1747E+12</b>		<b>\$39,293</b>	
(C) CELLULOSIC COMMODITY -- ENERGY TREES	9.3976E+11	\$31,434		80%
(D) WASTE MATERIAL -- WOOD WASTE	2.3494E+11	\$7,859		20%
<b>GAMMA BIODIESEL</b>	<b>3.0233E+12</b>		<b>\$101,126</b>	
(A) TITLE I - SOYBEANS/SOYBEAN OIL	2.1163E+12	\$70,788		70%
(E) FATS, OILS, GREASES -- ANIMAL FATS/RENDERINGS/TALLOW	7.5583E+11	\$25,282		25%
(B) OTHER OILSEEDS -- ALGAE OIL	1.5117E+11	\$5,056		5%
<b>DELTA FUEL ETHANOL</b>	<b>5.0573E+11</b>		<b>\$16,071</b>	
(A) TITLE I - GRAIN SORGHUM	4.9562E+11	\$15,749		98%
(D) WASTE MATERIAL -- BEVERAGE/FOOD PROCESSING WASTE	1.0115E+10	\$321		2%

Commodity payments for Q1 are calculated by summing all payments made to eligible advanced biofuel producers, including Large Producers, using the defined Commodity/Eligible Renewable Biomass/feedstocks.

For example:

	Q1
<b>Commodity/Eligible Renewable Biomass/Feedstock</b>	
(A) TITLE I - GRAIN SORGHUM	\$164,553
(A) TITLE I - SOYBEANS/SOYBEAN OIL	\$1,009,573
(B) OTHER OILSEEDS	\$100,957
(C) CELLULOSIC COMMODITIES	\$21,182
(D) WASTE MATERIALS	\$199,877
(E) FATS, OILS, & GREASES	\$253,410
(F) ANIMAL BYPRODUCTS	\$448
<b>Total Commodity Payment</b>	<b>\$1,750,000</b>

**Calculate Commodity Payment Limit.**

Using the \$7 million available, the total amount of payments made in a fiscal year to "one or more eligible producers for the production of advanced biofuels derived from a single eligible commodity ...", shall not exceed:

$$\$7 \text{ million} / 3 = \$2,333,333.33.$$

Distributed equally among 4 quarters, the quarterly payment limit to a Commodity is:

$$\$2,333,333.33 / 4 = \$583,333.33.$$

**Test and Impose Commodity Payments Limitation.**

After the initial quarterly payments are calculated for each producer, payments based on commodity limits are tested. For the commodity payment limit a test is conducted to determine whether the Total Payments for the initial quarterly payments exceeds the quarterly commodity payments limitation.

Prior to payments disbursement, total commodity payments for the current quarter are tested against the quarterly commodity payment limitation by the calculation,

$$\text{Initial payment to all producers using Commodity} - \text{Commodity payment limit} = \text{Commodity limit Test Value.}$$

For example:

The initial payment rate calculated above ( $\$0.000000033449$ ), Q1 production and payments to Eligible Advanced Biofuel Producers using

**(A) TITLE I - SOYBEANS/SOYBEAN OIL total:**

	Production Btu					Payment rate per Btu	Payments				
	Q1	Q2	Q3	Q4	Total		Q1	Q2	Q3	Q4	Total
(A) TITLE I - SOYBEANS/SOYBEAN OIL	3.0182E+13					\$0.000000033449	\$1,009,572.85				

The Commodity **(A) TITLE I - SOYBEANS/SOYBEAN OIL** Test Value is calculated as,  
 $\$1,009,572.85 - \$583,333.33 = \$426,239.52$

If the Commodity Test Value is greater than 0, then the Commodity Payments Limitation is exceeded, and the payment rate must be prorated to ensure that the one-third quarterly Commodity Payment Limitation is not exceeded.

The appropriate/adjusted Q1 **(A) TITLE I - SOYBEANS/SOYBEAN OIL**, payment rate is calculated as,

$$\text{Quarterly Commodity Payment Limited Amount} / \text{Total Commodity Production} = \text{Quarterly Commodity Payment rate}$$

$$\$583,333.33 / 3.0182E+13 = \$0.000000193269$$

The revised Q1 Commodity Payment rate is then applied to every Eligible Advanced Biofuel Producer requesting payment for Advanced Biofuel derived from Commodity **(A) TITLE I - SOYBEANS/SOYBEAN OIL**.

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Producer payments with Commodity Limitation:	Production Btu					Payment rate per Btu 0.0000000193269	Payments				
	Q1	Q2	Q3	Q4	Total		Q1	Q2	Q3	Q4	Total
<b>(A) TITLE I - SOYBEANS/SOYBEAN OIL</b>	<b>3.0182E+13</b>						<b>\$583,333.33</b>				
ALPHA Biofuels	7.4857E+10						\$1,446.75				
BETA Energy	1.1936E+12						\$23,068.87				
GAMMA Bio Production	9.9277E+10						\$1,918.71				
DELTA Renewables	2.3931E+10						\$462.52				
...	...						...				

The balance of the Q1 total payment is then distributed to all eligible producers not requesting payment for Advanced Biofuel derived from Commodity **(A) TITLE I - SOYBEANS/SOYBEAN OIL**.

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**Appendix C. Illustration of 5 Percent Limitation for Large Producers**

The following paragraphs describe the process used to determine payment rates and payments to Large Producers throughout the course of a fiscal year to ensure that the 5 percent limitation on payments to Large Producers is not exceeded.

For illustration purposes, the calculations below assume that \$7 million are available to the program for the fiscal year. Three Large Producers are identified.

**Determine the Amount of Funds Available to Large Producers**

If \$7 million is made available for the fiscal year to Advanced Biofuel Producers, no more than 5 percent of \$7 million is available to Large Producers, i.e., no more than,

$0.05 * \$7 \text{ million} = \$350,000$ , is available to Large Producers for the fiscal year.

**Calculate Payments to Large Producers.**

Large Producer payments are calculated as the eligible production for the quarter multiplied by the quarterly payment rate, subject to the Commodity Payment Limitation and the Large Producer Payment Limitation.

**Large Producer Payment Rate - No Commodity Limitation.**

Using the initial Q1 payment rate assumptions as calculated above in Appendix B., the Q1 payment rate is,

$$Q1 \text{ total payment} / Q1 \text{ total production} = Q1 \text{ payment rate}$$

$$\$1,750,000 / 5.2318E+13 \text{ Btu} = \$0.000000033449.$$

Applying the Q1 payment rate and using production assumptions for three representative Large Producers listed below, the Q1 payments are calculated as:

No Commodity Limitation	Production					Payment rate per Btu	Payments				
	Q1	Q2	Q3	Q4	Total		Q1	Q2	Q3	Q4	Total
<b>Large Producers</b>	<b>6.3253E+12</b>				<b>6.3253E+12</b>	<b>\$0.000000033449</b>	<b>\$211,575.07</b>				<b>\$211,575.07</b>
ABLE BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	4.9454E+12				4.9454E+12		\$165,419.82				\$165,419.82
BAKER BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	9.0743E+11				9.0743E+11		\$30,352.52				\$30,352.52
CHARLIE FUEL ETHANOL (A) TITLE I - GRAIN SORGHUM	4.7244E+11				4.7244E+11		\$15,802.73				\$15,802.73

**Large Producer Payment Rate - With Commodity Limitation.**

Assume a payment limitation is imposed on advanced biofuel derived from Commodity (A) TITLE I-SOYBEANS/SOYBEAN OIL, as listed in Appendix B.

The adjusted Q1 payment rate for eligible producers of advanced biofuels derived from Commodity (A) is calculated as,

$$Quarterly \text{ Commodity Payment Limited Amount} / Total \text{ Commodity Production}$$

$$= Quarterly \text{ Commodity Payment rate}$$

$$\$583,333.33 / 3.0182E+13 = \$0.0000000193269 \text{ per BTU}$$



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The adjusted Q1 payment rate to all other producers is,  
 $\$1,166,666.67 / 2.2136E+13 \text{ BTU} = \$0.000000052706 \text{ per BTU.}$

The revised payment calculations then are,

Commodity (A) TITLE I - SOYBEANS/SOYBEAN OIL Limitation	Production					Payment rate per Btu	Payments				
	Q1	Q2	Q3	Q4	Total		Q1	Q2	Q3	Q4	Total
Large Producers	6.3253E+12				6.3253E+12		\$138,018.01				\$138,018.01
						0.0000000193269					
ABLE BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	4.9454E+12				4.9454E+12		\$95,579.92				\$95,579.92
BAKER BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	9.0743E+11				9.0743E+11		\$17,537.75				\$17,537.75
						\$0.000000052706					
CHARLIE FUEL ETHANOL (A) TITLE I - GRAIN SORGHUM	4.7244E+11				4.7244E+11		\$24,900.33				\$24,900.33

Note that in both examples payments to Large Producers are less than 5 percent of available funds.

For the sake of illustration, assume that payment rates remain the same for quarters Q2 and Q3. Payments to Large Producers would then be calculated as,

	Production					Payment rate per Btu	Payments				
	Q1	Q2	Q3	Q4	Total		Q1	Q2	Q3	Q4	Total
Large Producers	6.3253E+12	6.5894E+12	6.9189E+12		1.9834E+13		\$138,018.01	\$141,383.63	\$148,452.81		\$427,854.44
Commodity (A) TITLE I - SOYBEANS/SOYBEAN OIL Limitation						0.0000000193269					
ABLE BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	4.9454E+12	4.8563E+12	5.0991E+12		1.4901E+13		\$95,579.92	\$93,857.86	\$98,550.75		\$287,988.53
BAKER BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	9.0743E+11	1.3127E+12	1.3783E+12		3.5984E+12		\$17,537.75	\$25,370.26	\$26,638.77		\$69,546.79
Commodity (A) TITLE I - GRAIN SORGHUM						\$0.000000052706					
CHARLIE FUEL ETHANOL (A) TITLE I - GRAIN SORGHUM	4.7244E+11	4.2036E+11	4.4138E+11		1.3342E+12		\$24,900.33	\$22,155.51	\$23,263.28		\$70,319.12

Note however, that with the calculated Q3 payment, the Large Producer limitation of 5 percent of available funds, \$350,000, is exceeded. A prorated payment rate must therefore, be calculated such that payments to Large Producers do not exceed the 5 percent limitation.

**Test and Impose the 5 percent Large Producers payment limitation**

The amount available to Large Producers in Q3 is calculated as,

$$\text{Total funds available to Large Producers} - \text{Q1 Large Producer payments} - \text{Q2 Large Producer payments} \\
\$350,000 - \$138,018.01 - \$141,383.63 = \$70,598.37.$$

The prorated Q3 Large Producer payment rate is calculated as,

$$\$70,598.37 / 6.9189E+12 \text{ BTU} = \$0.00000001020 \text{ per BTU.}$$

And Q3 Large Producer payments, given the imposed limitation are:

Imposed 5% Limitation	Production					Payment rate per Btu	Payments				
	Q1	Q2	Q3	Q4	Total		Q1	Q2	Q3	Q4	Total
<b>Large Producers</b>	<b>6.3253E+12</b>	<b>6.5894E+12</b>	<b>6.9189E+12</b>		<b>1.9834E+13</b>		<b>\$138,018.01</b>	<b>\$141,383.63</b>	<b>\$70,598.37</b>		<b>\$350,000.00</b>
<i>Commodity (A) TITLE I - SOYBEANS/SOYBEAN OIL</i>						<b>0.0000000193269</b>			<b>\$0.00000001020</b>		
ABLE BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	4.9454E+12	4.8563E+12	5.0991E+12		1.4901E+13		\$95,579.92	\$93,857.86	\$52,030.50		\$241,468.28
BAKER BIODIESEL (A) TITLE I - SOYBEANS/SOYBEAN OIL	9.0743E+11	1.3127E+12	1.3783E+12		3.5984E+12		\$17,537.75	\$25,370.26	\$14,064.11		\$56,972.12
<i>Commodity (A) TITLE I - GRAIN SORGHUM</i>						<b>\$0.000000052706</b>					
CHARLIE FUEL ETHANOL (A) TITLE I - GRAIN SORGHUM	4.7244E+11	4.2036E+11	4.4138E+11		1.3342E+12		\$24,900.33	\$22,155.51	\$4,503.76		\$51,559.60

Note that all Large Producers receive the same payment rate, because the prorated rate to Large Producers is less than both assumed rates for, Commodity (A) TITLE I-SOYBEANS/SOYBEAN OIL and Commodity (A) TITLE I-GRAIN SORGHUM.

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**Appendix D. Illustration of Individual Eligible Advanced Biofuel Producer Payment Limitation.**

The following paragraphs describe the process used to limit payments to individual producers of not more than eight percent of available funds, as directed.

"(e) Equitable distribution

(1) Amount

The Secretary shall limit the amount of payments that may be received by a single eligible producer under this section in order to distribute the total amount of funding available in an equitable manner."

For illustration purposes, the calculations below assume that \$7 million are available to the program for the fiscal year.

**Determine the Amount of the Individual Eligible Producer Payment Limitation.**

If \$7 million is made available for the fiscal year to Advanced Biofuel Producers, no more than 8 percent of \$7 million would be available to any individual eligible Advanced Biofuel Producer, that is not a Large Producer, i.e., not more than,

$0.08 * \$7 \text{ million} = \$560,000.00$ , is available during the fiscal year to any individual eligible Advanced Biofuel Producer.

Quarterly Producer payments are calculated following the instructions provided in Appendices B and C.

**Test Impose the Individual Eligible Advanced Biofuel Producer Payment Limitation.**

After quarterly payments are calculated for each individual Eligible Producer, a Test is conducted to determine whether the total payments (for the year) made to the producer exceed the maximum amount available to any individual Eligible Producer.

Prior to payments disbursement, Total Payments (including current Quarter payments) are Tested against the Eligible Producer Payment Limitation by the calculation:

$$\text{Total Payments to Date} - \text{Producer Maximum} = \text{Producer Test Value.}$$

If Producer Test Value is less than or equal to 0, producer maximum has not been exceeded and the current quarter payment may be disbursed; as with the example for Alpha Bioenergy below:

	Q1	Q2	Q3	Total to Date	Max available to individual producer	Producer Test Value: Total Payment - Max Payment > 0
Alpha Bioenergy	\$3,803.95	\$7,211.38	\$6,335.68	\$17,351.01	\$560,000.00	(\$542,648.99)

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However, if Producer Test Value is greater than 0, the producer maximum will be exceeded with the current quarter payment and the payment as calculated must be adjusted/reduced by the amount exceeding the producer maximum prior to disbursement.

$$\text{Current Quarter payment as calculated} - \text{Producer Test Value} = \text{Current Quarter Payment to be Disbursed}$$

Consider the example for Alpha Ethanol:

	Q1	Q2	Q3	Total to Date	Max available to individual producer	Producer Test Value: Total Payment - Max Payment > 0
Alpha Ethanol	\$215,619.98	\$154,578.80	\$215,237.86	\$585,436.63	\$560,000.00	\$25,436.63

Prior to disbursement, the current payment as calculated, Q3, must be adjusted/reduced by the amount exceeding the Producer Maximum.

The Q3 payment to be disbursed to Alpha Ethanol is:

$$\$215,237.86 - \$25,436.63 = \$189,801.23.$$

Alpha Ethanol, having received total payments amounting to the producer maximum in q3, is ineligible to receive payments for the rest of the fiscal year.

With Q3 payments disbursement, Alpha Ethanol will be notified/informed that its Q3 payment was reduced by \$25,436.63, in compliance with the Individual Producer Payment Limitation of 8 percent of Available funds.

Total Payments Received year to date, \$560,000, are equal to the maximum allowed in a fiscal year to an individual eligible advanced biofuel producer of 8 percent of available funds, \$560,000.

A Payment Request submitted by Alpha Ethanol for Q4 production will be returned as Ineligible.

Carry Excess Amounts into Subsequent Quarter or Fiscal Year

**For quarters Q1, Q2, and Q3:**

The Producer Test Value, the amount by which the producer maximum is exceeded, is carried into the subsequent quarter as available funds.

The Alpha Ethanol Producer Test Value of \$25,436.63, is carried into Q4 as available funds.

Assuming that, \$7 million is made available to producers for the fiscal year and that Commodity Payment and Large Producer limitations apply (per Appendices B and C), the adjusted Q4 Total Payment is:

$$\$1,750,000 + \$25,436.63 = \$1,775,436.63.$$

**For quarter Q4:**

The Producer Test Value is carried into the subsequent fiscal year as available funds.

	Q1	Q2	Q3	Q4	Total to Date	Max available to individual producer	Producer Test Value: Total Payment - Max Payment > 0
Delta Ethanol	\$104,360.81	\$215,886.08	\$130,482.30	\$125,634.14	\$576,363.33	\$560,000.00	\$16,363.33

The Q4 payment to be disbursed to Delta Ethanol is:  
 $\$125,634.14 - \$16,363.33 = \$109,270.81$ .

Delta Ethanol's Q4 Producer Test Value of \$16,363.33, will be carried into the subsequent fiscal year as available funds.

With Q4 payments disbursement, Delta Ethanol will be informed that its Q4 payment was reduced by \$16,363.33, in compliance with the Individual Producer Payment Limitation of 8 percent of available funds, \$560,000.

Again, assuming \$7 million is made available to producers, then the subsequent fiscal year available funds adjustment is:

$$\$7,000,000 + \$16,363.33 = \$7,016,363.33.$$



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