

# Frequently Asked Questions

## Empowering Rural America (New ERA) program

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USDA Rural Development’s Rural Utilities Service (RUS) is providing a list of questions asked by the public regarding the New ERA program. Some of the questions will be extremely specific to a particular potential applicant but are included in this FAQ to ensure transparency and that everyone has access to the same information. Because information changes, always consult official program regulations or contact your RUS General Field Representative for help. A list is available at this link: <https://www.rd.usda.gov/contact-us/electric-gfr>. You can email New ERA program questions to [SM.RD.RUS.IRA.Questions@usda.gov](mailto:SM.RD.RUS.IRA.Questions@usda.gov)

**NOTE:** The information in this guide does not outweigh technical and regulatory language in the Inflation Reduction Act (link available here: <https://tinyurl.com/548c8tb7>). In questions of precedence, always refer to the Public Law or regulation.

**\*\*Questions that are new or expanded upon in this version are marked with a double asterisk.**

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## Definitions

### How is rural defined for New ERA?

A Rural Area shall mean one or more of the following for New ERA:

- Any area of the United States, its territories, and insular possessions (including any area within the Federated States of Micronesia, the Marshall Islands, and the Republic of Palau) other than a city, town, or unincorporated area that has a population of greater 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
- Communities where non-rural service is necessary and incidental to providing intended benefits to Rural Areas described above.

### How do you define a distressed community?

The NOFO defines “distressed and disadvantaged communities” as well as energy communities:

- A “Disadvantaged Community” is determined by USDA using the Council on Environmental Quality’s Climate and Economic Justice Screening Tool which identifies communities burdened by climate change and environmental injustice.
- A “Distressed Community” is determined by USDA by using the Economic Innovation Group’s Distressed Communities Index, which uses several socio-economic measures to identify communities with low economic well-being.

To determine if your project is located in a Disadvantaged Community or a Distressed Community, please use the following USDA look-up map:

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

- Energy communities is defined by the Department of Treasury and the Internal Revenue Service at <https://www.irs.gov/pub/irs-drop/n-23-29.pdf> or through future governmental guidance.

### What is the definition of service territory?

The area where electricity from the facilities to be financed by the proposed award will be delivered and consumed.

## What does it mean for a grant to be “securable?”

Assets financed with a grant must be secured by a first lien in favor of RUS or a comparable measure of credit support.

## What is the difference between “reduced” and “avoided”?

An example of the difference is the direct replacement of existing fossil fuel-based generation or a market purchase with renewables or zero-emission systems would count as reducing GHG emissions. Deploying new renewable or zero-emission systems to meet demand growth would avoid new construction of GHG-intensive generation and would count as avoiding GHG emissions.

## How do you define affiliate?

An affiliate is the whole or partially-owned entity related to the Applicant and where a transaction between the entity and its affiliate would create a concern regarding self-dealing.

## What is a Substantially Underserved Trust Area (SUTA) and how do we know if we qualify as a SUTA?

Under SUTA, trust land includes land that:

- is held in trust by the United States for Native Americans;
- is subject to restrictions on alienation imposed by the United States on Indian lands (including native Hawaiian homelands);
- is owned by a Regional Corporation or a Village Corporation, as such terms are defined in section 3(g) and 3(j) of the Alaska Native Claims Settlement Act, respectively (43 U.S.C. 1602(g), (j)); or
- is on any island in the Pacific Ocean if such land is, by cultural tradition, communally-owned land, as determined by the Secretary.

SUTA designation is at the discretion of the Administrator. When applicants request SUTA consideration, they should review the SUTA regulation and will need to provide supporting documentation on how much of the proposed project is serving trust lands as defined in SUTA and how that area is substantially underserved, as spelled out in the SUTA regulation.

## Can rural municipal electric utilities or rural public power districts apply for New ERA funding?

No. Only electric cooperatives are eligible for funding under the New ERA program.

## Can an applicant apply under one LOI if the projects will be built across multiple states?

Yes. Applicants may apply for projects in disparate places under one LOI. According to the funding announcement (available at: <https://www.govinfo.gov/content/pkg/FR-2023-05-16/pdf/2023-10392.pdf>), “Facilities may be co-located to operate interconnectedly or independently or constructed at separate sites.”

## Can different entities that have the same parent company apply for different renewable energy projects?

Yes. Each company can apply for separate renewable energy projects. However, for loan security, RUS may request that the parent company be the guarantor of one or more RUS loans.

## Can you submit multiple LOIs or LOIs for more than one project?

Applicants may only submit a single LOI to each program. However, an LOI may contain multiple eligible projects, which will be evaluated together. A single LOI can include multiple projects that may be co-located to operate interconnectedly or independently or constructed at separate sites.

## Are there benefits to collaborate as Generation and Transmission or Distribution Cooperatives? How does that impact the financial cap of \$970M?

Yes. A joint project would increase your aggregated GHG impact and therefore could increase the score. The \$970 million cap applies to the budget authority consumed by the proposed project, not the total dollars invested. The cap applies on a per application basis, including consolidated applications.

## Many small-to-medium rural electric cooperatives have long-term generation contracts with Generation and Transmissions and cannot install new generation facilities. How would you recommend distribution cooperatives engage in New ERA?

Applicants need to explore what works best for them. One option is for distribution cooperatives to work with their G and T to determine what may be possible, including projects such as distributed renewable energy and demand response strategies that could be done in partnership. Another option might be to explore a virtual power plant or demand management programs individually. Again, applicants will need to determine what makes the most sense for them depending on their existing contracts.

## Are these programs available to individuals?

No. These programs are not designed for individuals. Under New ERA, RUS will accept LOIs and Applications from electric cooperatives described in section 501(c)(12) or 1381(a)(2) of the Internal Revenue Code of 1986 and is or has been a RUS or Rural Electrification Administration (REA) electric loan borrower pursuant to the Rural Electrification Act of 1936 (RE Act) or is serving a predominantly Rural Area (or a wholly or jointly owned subsidiary of any of the preceding listed such electric cooperatives).

## Must an electric cooperative have official recognition from the IRS as a 501(c)(12) organization to be considered an eligible applicant under New ERA? What if I am a state recognized cooperative, but not recognized as such by the IRS?

Yes. To be eligible for New ERA, an eligible entity must be an electric cooperative described in section 501(c)(12) or 1381(a)(2) of the Internal Revenue Code of 1986 and is, or has been, an RUS or Rural Electrification Administration (REA) electric loan borrower pursuant to the Rural Electrification Act of 1936 (RE Act), or is serving a predominantly Rural Area (or a wholly or jointly owned subsidiary of any the preceding listed such electric cooperatives).

## Are foreign owners, investors, and businesses eligible for the programs?

RUS requires any foreign ownership or control of a proposed Project to be disclosed to the Agency. The foreign ownership will be vetted to determine compliance with RUS' and the U.S. government's foreign investment rules.

## Are private or public partners of rural electric cooperatives eligible for New ERA?

No. Electric cooperatives or a wholly or jointly owned subsidiary of such electric cooperatives are the only eligible entities for New ERA.

## What is the benefit of doing a group LOI and then disaggregating?

Applicants will need to decide what approach works best for them.

## For a G and T, is TUP based on the assets of the G and T or the total assets of its member owners?

The TUP is based on the total utility plant assets of the Applicant. If the G&T is the Applicant, then the TUP will be based on the G and T's assets. If a G and T is applying along with its distribution owners in a single LOI, the TUP would be determined by the sum of the TUPs of the G and T and its members.

## How does the maximum award amount apply to joint LOIs?

The maximum loan amount applies to the individual entities within a joint LOI collaboration, not the collective LOI.

## Are Community Choice Aggregators (CCAs) qualified as “cooperatives” for the New ERA Program?

Only if the CCA is organized as an electric cooperative and meets the definition of eligible entity. The NOFO defines an eligible entity as an “electric cooperative described in section 501(c)(12) or 1381(a)(2) of the Internal Revenue Code of 1986 and is or has been a RUS or Rural Electrification Administration (REA) electric loan borrower pursuant to the Rural Electrification Act of 1936 (RE Act) or is serving a predominantly Rural Area (or a wholly or jointly owned subsidiary of any the preceding listed such electric cooperatives).”

## Since the \$970 million Budget Authority (BA) ceiling applies to applicants, could a consolidated LOI exceed that amount if each one of the LOI Applicants does not exceed \$970 million?



The \$970 million BA ceiling applies to an individual Applicant. Under the NOFO, Applicant is defined as "an eligible entity that has received an invitation to proceed to submit a New ERA application." Therefore, in the case of a consolidated LOI, where each member of the consolidated group has a distinct set of projects and no individual member's set of projects requires more than \$970 million in budget authority, a consolidated LOI could exceed \$970 million in budget authority. In this case, disaggregation will be required and the BA calculation for each project would be tabulated as if each project were separate. In contrast, an LOI with joint and several liability for the consolidated group would not be able to use more than \$970 million in budget authority.

## Timing and Dates

### When can funds be obligated and when can they be disbursed?

In general, funds will not be disbursed prior to the completion of the environmental review. 7 CFR §1970.11(b) gives the Administrator the discretion to obligate funds subject to the completion of environmental review, provided the environmental review can be completed by the end of the next fiscal year. If the environmental review is not completed by the end of the next fiscal year, the funds will be rescinded. Applicants are advised that commencing construction prior to the completion of the environmental review could make a project ineligible for funding.

### If there is an issue out of our control (supply chain issues, permitting, environmental, and so forth) that delays the project, can we get an extension?

The statute is clear that all funds must be dispersed no later September 30, 2031. RUS has no discretion to extend the deadline to advance funds beyond that date. Applicants and awardees must plan appropriately. Extensions before the September 30, 2031, deadline will be considered on a case-by-case basis.

### Can we include a project already underway if the IRA funding will help us expedite or accelerate it?

Statutorily, the IRA cannot fund a project where **construction** of the project began before the effective date of the IRA, August 16, 2022. A project in the pre-construction planning stage before

August 16, 2022, may be eligible for IRA financing provided construction has not commenced prior to completion of the environmental review. As a general matter, a borrower seeking RUS financing may not begin construction of a project until RUS has provided written environmental approval of the project. Projects that prematurely start construction risk ineligibility.

### **Can IRA funds be used to finance investments or costs incurred prior to the date of enactment (August 16, 2022)?**

No. Projects constructed prior to the date of enactment or projects that have commenced construction prior to RUS environmental approval are generally ineligible for IRA funding.

### **Do all aspects of a project need to be complete prior to 9/30/2031?**

Yes. RUS will only fund projects that are complete and operational prior to the statutory deadline of 9/30/2031.

### **Will loan terms under the New ERA program be limited to the term of an applicant's wholesale power contracts?**

Yes. Loan terms will generally be limited to the term of an applicant's wholesale power contracts. However, during RUS's due diligence, we will also consider the useful life of the asset being financed and the length of the lease agreement (as in the case of a solar facility located on leased property). RUS will recommend for approval the shortest term of the three.

### **Can I preorder materials for a proposed New ERA project that I plan to submit?**

Yes. However, no construction can have commenced prior to completion of the environmental review process. Applicants must understand there is no guarantee that projects will be approved for funding. Preorder is at the risk of the applicant.

### **Can IRA funds be used to finance investments or costs incurred prior to the date of enactment (August 16, 2022)?**



Projects constructed prior to the date of enactment or projects that have commenced construction prior to RUS environmental approval are generally ineligible for IRA funding.

## **Will the number of years for the loan on a refinanced asset be limited to the life span of the new renewable asset that is replacing it?**

Yes. As the NOFO states: “Award term. Except Awards that include a loan refinancing or loan modification, Awards will be for a term not to exceed the lesser of: (a) The expected useful life of the project, (b) The term of the PPA (if required for execution between the awardee and the off-taker), (c) The term of the lease for the land that the project will occupy (if such land is not owned by the awardee), (d) The expiration dates of power supply arrangements between the awardee and its members should the awardee provide the power supply needs of the members under such power supply arrangements, or (e) 35 years. The term of an award that includes a loan refinancing or loan modification will be determined on a case-by-case basis based on the financial feasibility of the award.”

## **When do the renewable PPAs need to be signed to be included in the New ERA application? Do we need to have signed PPAs prior to full application submittal, and if not, by what date?**

The NOFO permits applicants to apply with a draft PPA, provided the PPA can reasonably be executed and operational before the end of FY 2031. PPA projects will be evaluated based on submitted information. The Agency recognizes the final execution of PPAs could take time, and the Agency will require information about the likely signatory and status of negotiations (See Section D. subpart (f). of the New ERA NOFO).

## **What funding is available for environmental and/or generation retirement projects initiated before the August 16, 2022 date? Is there a provision that applies to retirement projects initiated before August 16, 2022?**

Applicants who took assets out of service to reduce GHG through plant retirements prior to the date of enactment and have stranded debt associated with those assets could be eligible for stranded debt refinancing with interest rates as low as 0% and terms as long as 35 years; provided the Applicant reinvests the savings into new eligible clean energy investments. That

new investment could also be eligible for grant financing of up to 25% of the new clean energy project costs.

**If a Power Purchase Agreement (PPA) was executed by an Eligible Entity prior to August 16, 2022, as long as construction has not commenced prior to August 16, 2022, would such a PPA be eligible to be included in an LOI for 25 percent grant funding under New ERA?**

Yes, under the scenario described above, the PPA could be eligible for grant funding under New ERA.

**USDA/RUS has made it clear that it has a statutory obligation to ensure that all funds are disbursed by September 30, 2031. Can exceptions be granted on a case-by-case basis? Should Eligible Entities not submit an LOI which includes project completion dates beyond September 30, 2031? Given the magnitude of dollars under New ERA and PACE and many Eligible Entities vying for the same equipment, resources, contractors, etc., does RUS believe that all the infrastructure can be planned, engineered, procured, and constructed by September 30, 2031 without the need for extensions?**

No. RUS does not have the authority to adjust this deadline. The September 30, 2031 deadline to advance all funds in the New ERA program is statutory. We acknowledge timeline and supply chain issues are a challenge. Applicants are advised that the ability to execute projects within the program's timeframe will be an important part of the Agency's review. Applicants should only propose those projects that can reasonably be completed within the allowable timeframe. Other Agency programs such as the RUS Electric Loan Program and Rural Energy Savings Program generally have more scheduling flexibility and Applicants may consider using those programs for projects that fall outside of the New ERA timeline.

**\*\*If we submitted an LOI under New ERA, can we also include the same project under a future regular loan application to the RUS that will be submitted before New ERA awards are finalized?**

Yes. Please note in your proposals if you are submitting to more than one program.

## **Letter of Interest (LOI) and Application Process**

**Will RUS consider selecting elements of an Applicant's loan by project type and disallow some components? And if so, are we better off proposing a more ambitious project or a more secure project?**

RUS may select elements of a project to not approve; however, it is unlikely to do so if the project meets the technical criteria for eligibility. Applicants are encouraged to be ambitious in their proposals.

**Can an applicant apply for both PACE and New ERA for the same project?**

No. The applicant should consider both programs and decide which program is best suited for their project. Note that an applicant can apply for both programs as long as they are not applying for the same projects under both programs.

**Can I apply for both the REAP and New ERA funding opportunities for the same project? Do we need to make a pre-application decision and apply to only one program?**

No, applicants should only apply to one program for any given project. The applicant should decide which program to submit an application, assuming the project qualifies for both programs. However, if an applicant is not accepted for a New ERA award, it may apply in a future application window for REAP if the project would qualify.

**Can pre-application costs be included in a loan application?**

Yes. Many pre-application costs are eligible for reimbursement where an applicant is approved for an award.

## Do you need a unique entity identifier from SAM (System for Award Management) to submit an LOI for New ERA funding?

Yes. At the LOI stage, an applicant must provide an eligible entity's tax identification number and its Unique Entity Identifier (UEI) number from the System for Award Management (SAM) registry.

## We are partially through submitting an application under the "regular RUS loan" program, will we still need to submit an LOI for consideration under New ERA?

Yes. As they are different programs, an applicant must submit an LOI for consideration under the New ERA program.

## Are there any fees for applying?

No. There are no fees for submitting an application.

## If an applicant is invited to submit a full application, will additional guidance be provided on requirements?

Yes. The Invitation to Proceed will contain details on application requirements. Additional information on application requirements can be found in each NOFO under Section D.

## If multiple projects within a single LOI are selected for an award, would RUS require separating the projects for loan or grant closing documentation?

It depends on the facts and circumstances of the LOI. RUS may require the execution of separate documents (grant agreement, loan documents, and so forth). For example, if each Project serves different communities and each Project is eligible for a different level of forgiveness, separate documents may be required. Similarly, if the multiple Projects are part of a multi-party LOI, the Projects will likely be separated unless the Agency determines that the multi-party project require joint and several liability.

## If multiple projects are submitted in one LOI and an individual project was rejected, would RUS reject the entire LOI?

It depends. The elimination of a Project need not be fatal to an LOI, especially if the rejected element is minor and has no material effect on the overall success of the remaining Projects. However, if the removal of the rejected Project undermines the finances or technical requirements of the other Projects, the entire LOI would affect the viability of the entire LOI. All LOIs will be reviewed based on the criteria outlined in the NOFOs. The Agency reserves the right to offer an Applicant less funding and forgiveness than requested in the LOI.

## Can we apply for a grant only?

Yes. An applicant can apply for a grant up to 25 percent of the total eligible project costs. The awardee must ensure that the remaining 75 percent of the project costs are covered.

## After the Letter of Interest, winning cooperatives will receive a Notice to Proceed with selected projects from RUS to submit a full application. We understand there is a 60-day window to submit the application, unless there is agreement with RUS to extend the window. Is it during this time RUS and Applicant will discuss contract terms, or does that occur after the application is officially submitted?

Contract terms will be discussed after the application is officially submitted. The invitation to proceed may include guidance on the determination of level of forgiveness and loan amount that USDA will consider in the application.

## For New ERA, is the 1,500-word limit per project or for the full set of projects? Is the word limit for the entire LOI or certain components?

At the LOI stage, the 1,500-word limit is for the **full set of proposed projects** in the Portfolio of Actions. At the final application stage, applicants can use up to 1,500 words when describing **each project** within the Portfolio of Actions. The Agency requests all applicants to be as concise as possible.

## What if the project is in the RUS loan application process already? Should we request a grant or take it out?

As long as a project is not already financed by RUS, an eligible project that is part of a pending RUS application could be included in a New ERA application. You do not need to withdraw the application from the RUS core program, but you would need to submit an application within the New ERA program. You must send an email to your GFR contact informing them that you are applying to both.

## Most projects are in the early planning stages and do not have all the information, studies, agreements, etc. required as part of the New ERA full application. Can RUS explain how the process will work when an Eligible Entity is required to submit a full application but does not have all the information?

RUS is encouraging Applicants to be ambitious and consider new projects to transition to a clean energy future. RUS understands that project designs, PPA's, etc., may not be fully complete prior to the application submittal deadline. We expect Applicants to provide as much information as possible, with timelines for incomplete information to be submitted, to be included in the application. If approved, the application will be approved subject to the submission and RUS approval of the requested information.

## Eligible Activities

### Can New ERA funds be used for investments directly related to clean energy investments such as transmission, energy storage, distributed energy resource management systems, or security systems?

Yes. Investments which radiate from the eligible clean energy project that are needed to move clean power from where it is generated to where it is used could be eligible for New ERA financing provided it is part of the overall clean energy "system." Transmission system energy efficiency projects are also eligible under New ERA.

### Are new transmission lines an eligible use of funds?



Yes. Under New ERA, transmission facilities that increase the operating energy efficiency of qualifying systems are eligible. In addition, transmission improvements that can significantly enable Renewable Energy Systems and Zero-Emission Systems, reduce congestion, and improve the efficiency of the system are eligible. Transmission Energy Efficiency Improvements to an Applicant's transmission system shall include measures that result in the demonstrable reduction of GHG emissions that can include:

- Reductions in transmission energy line losses
- Investments that alleviate transmission congestion as it relates to the delivery of power generated from Renewable Energy Systems or Zero-Emission Systems
- Investments in technologies that increase the capacity and efficiency of existing transmission facilities or increase transmission capacity within existing rights-of-way, such as investments in advanced high-capacity conductor technologies or Grid-Enhancing Technologies
- Construction of new transmission lines for the transmission of power generated from Renewable Energy Systems or Zero-Emission Systems.

### Can fiber be included as part of a distributed energy resource project?

Yes. Infrastructure necessary to – and radiating from – an eligible clean energy project could be eligible. If fiber is part of a project, it must serve a legitimate electric purpose and otherwise comply with RUS' existing smart grid policies.

### Can I apply for just energy or battery storage?

In New ERA, energy storage is eligible as part of a system that supports overall GHG reductions and reliability, resiliency, and affordability.

### What rules apply to a Renewable Energy Certificate (REC)?

An REC is a sellable certificate that represents the ownership of one megawatt hour of electricity generated from a renewable source, which can be traded and swapped on the open market in states that permit such trading. Applicants are eligible to sell the RECs created from their projects. However, proposing to use RECs as collateral can only be determined on a case-by-case basis.

## Can an eligible applicant construct, own and maintain a renewable energy project, such as a solar farm, where the off-taker of 100 percent of the resources is a single entity?

Yes, so long as the off-taker has the financial strength to satisfy underwriting concerns and is able to meet all other NOFO requirements. The agency will review the risk of providing power to a sole source off-taker as part of its underwriting. For New ERA, the applicant must be an eligible entity.

## Can IRA funds be used for new fossil fuel power generation projects?

No. The goal of the New ERA program is to achieve the maximum reduction of greenhouse gas (GHG) emissions. For this reason, IRA funding will not be available for new investments in fossil fuel power generation investments and is available for carbon capture utilization that meets environmental standards. However, carbon capture and storage (CCS) that meets environmental standards is eligible for funding, and GHG reducing projects that are part of a project's portfolio of actions, including those at fossil fuel power generation sites, are eligible for GHG scoring purposes but may not be eligible for funding from the IRA.

## Would a common software platform across multiple co-ops be eligible for funding?

Yes. This is eligible provided the technology is related to reductions in GHG.

## Do undergrounding transmission lines qualify?

Maybe. It must produce GHG reduction in order to be eligible. You must report your documented methodology for quantifying GHG reductions in your LOI submission. (Note this project may be eligible for funding through other RUS programs.)

## Are new transmission lines an eligible use of funds?

Yes. As the funding announcement (available at this link: <https://www.govinfo.gov/content/pkg/FR-2023-05-16/pdf/2023-10392.pdf>) outlines: "Transmission Energy Efficiency Improvements to an Applicant's transmission system shall include measures that result in the demonstrable reduction of GHG emissions, including but not limited to: (1) Reduction in transmission energy line losses; (2) Investments that alleviate transmission congestion as it relates to the delivery of power generated from Renewable Energy Systems or

Zero-Emission Systems; (3) Investments in technologies that increase the capacity and efficiency of existing transmission facilities or increase transmission capacity within existing rights-of-way, such as investments in advanced high-capacity conductor technologies or Grid-Enhancing Technologies; and (4) Construction of new transmission lines for the transmission of power generated from Renewable Energy Systems or Zero-Emission Systems.”

## Can funding be used to purchase clean energy through a Power Purchase Agreement (PPA)?

Yes.

## Are consumer-owned products and equipment, such as heat pumps, rooftop solar, electric vehicles, energy storage, and energy efficient appliances, eligible for New ERA funding?

No. Consumer-owned products and equipment are not eligible for New ERA funding. RUS strongly supports consumer-oriented energy efficiency measures and offers the Rural Energy Savings Program and other programs to meet that need.

## What demand-side management products and equipment are eligible as zero-emission systems?

Ownership and use are the keys to determining what is eligible as a zero-emission system. The products and equipment must be owned by the utility and contribute to the utility achieving its GHG reductions. Utility-owned products and equipment, including software and hardware and devices that the utility owns for demand side management purposes, could be eligible for funding as a “zero-emission system” under the NOFO, even if a consumer could use the utility-owned device. Consumer-owned assets are not eligible for New ERA funding, but products and equipment owned by the utility are eligible if their use contributes to achieving reductions in GHG emissions. Below is an inexhaustive list of examples:

- A utility-owned smart thermostat in a residential unit could be eligible for funding as part of a demand-side management system.
- Virtual power plants that consist of equipment owned by the utility to network multiple consumer devices that are located at consumer locations could be eligible for funding.
- Electric buses that are owned by the utility and used by the utility as a storage device could be eligible for funding.

- A utility deployed, owned, and maintained network of solar panels located at customer locations could be eligible for funding.

If a utility deploys demand side management systems in which the utility owns the appliances in consumers' homes (for example HVAC, water heaters, or battery storage) over their entire useful life of the appliances, would it be eligible? If a utility invests in inclusive utility investment programs, such as Pay As You Save (PAYS), in which the asset ownership is transferred to the customer at the termination of the program, are those investments eligible for New ERA funding or GHG scoring as part of the portfolio of actions?

In previous FAQs, RUS has made clear that utility ownership is the key to understanding which elements of a demand side management system could be eligible for New ERA funding. A utility-owned end-to-end demand side management system that includes devices in consumers' homes is eligible for New ERA funding. Of course, to receive funding, the project would need to score well in the GHG emission reduction competition. Key evidence of ownership could include whether the utility is fully responsible for the repair, replacement, and warranty of the in-home devices; the utility's ownership covers the useful life of the devices; and the utility is able to control some function of the device related to energy efficiency. Who claims tax benefits from the ownership may also be relevant.

Inclusive utility investment programs that are owned by the utility are eligible for funding under this program. Investments in inclusive utility investment programs that have assets that are owned by customers, or assets that will be transferred to the customer, **are not eligible for funding** under the New ERA program but are eligible for inclusion in the GHG scoring by contributing to lower demand. This distinction of utility ownership of assets follows the statute direction of funds for "...rural electric systems by providing to an eligible entity." Investments owned by the customer might be eligible under the Rural Energy Savings Program, Rural Energy for America Program, and other USDA Rural Development programs.

Is grid hardening or smart meter improvements such as upgrading our existing AMI system eligible? Are upgrades to DRMS (Distributed Resource Management System) to enable voltage optimization and energy efficiency gains eligible for New ERA funding?

Unless these investments demonstrably produce a greenhouse gas reduction at the utility level, they would not be eligible for New ERA funding. If the grid hardening enhances energy efficiency at the transmission level and can reduce GHGs, it may be eligible for scoring and financing. Similarly, if an AMI system is an integral part of a utility-owned demand side management “zero emissions system” which reduces GHGs it could be eligible for scoring and funding. DRMS which are attached to clean energy sources of power may be eligible if they reduce GHGs.

### Is refurbishing a deactivated or unusable renewable energy project or upgrading the capacity of an existing project eligible?

Yes.

### Is there a preference for specific types of power generation, energy storage, and so forth?

No. Applicants should select the eligible activities that meet the greatest reduction in GHGs while providing for reliability, resiliency, and affordability.

### Will RUS finance a cooperative Generation and Transmission’s clean energy project that do not serve their native load?

Yes, as long as a project serves an Eligible Service Area as defined in the NOFO. If the Applicant is an eligible rural electric cooperative and the clean energy project is otherwise eligible, the fact that the ultimate purchaser is outside of the co-op’s existing service territory does not adversely affect the Project’s New ERA eligibility.

### Is there a required minimum percent of renewable hydrogen required to be used?

RUS will finance the portion of the project that reflects the portion of generation fueled by renewables. The loan will be conditional on the portion of green fuel generation. Funds under IRA cannot be used to finance the fossil energy portion of a project. The core RUS electric program loans may finance the non-renewable portion of the project.

**If a nuclear project was close to or had most of its permits to comply with the IRA timeline, would RUS consider it under the New ERA funding as a potential project?**

A nuclear energy project could be an eligible activity as a “zero emissions system.” As with all New ERA projects, it must be completed before the end of FY 31.

**Can rural electric co-ops sell clean energy assets to Power Marketing Administrations (for example TVA, WAP, SWPA, SEPA)?**

Awardees may only transfer assets if allowed pursuant to the terms of the RUS loan and grant documents.

**If an existing wind PPA is to be cancelled before 2031, and an agreement is made to repower the wind and farm and sign a new PPA, do we have to technically cancel the existing PPA or can we amend or sign an extension of the PPA beyond its termination date and still qualify for New ERA funding? For benefits under the New ERA program for PPAs does an existing contract need to terminate (existing contract expires in 2027 for example) or can an amend and extend contract be acceptable?**

Our PPA guidance allows for new contracts, not extensions on existing PPAs. It is acceptable to submit a new PPA contract for an existing or repowered clean energy asset. You must improve your baseline GHG. Our PPA guidance offers an example: “Q: I have an existing wind PPA that expires in 2024. Can I use New ERA funding to extend the PPA or sign a new one? A: You can sign a new PPA for this project if it expands the use of clean energy and the existing PPA definitively ends provided the application meets other requirements of the funding notice, such as creating consumer benefits.”

**If distribution co-ops are required to purchase all their energy through a power supply cooperative of which they are a member, can the former be the applicant and the power supply cooperative be the off-taker?**

Yes. Distribution coops can be the applicant to the New ERA program and sell the energy through a PPA to their G&T as the off-taker. The G&T can include the power as part of their



wholesale energy to its members. The contract between the distribution coop and G&T may need to be amended to allow for self-generation. If the applicant is already an RUS borrower, then the new contract would need to be reviewed by RUS, which would support this type of adjustment so long as all parties agree.

## Is upgrading existing copper distribution line eligible?

Distribution line improvements alone would not be eligible for New ERA funding. However, distribution energy efficiency measures that contribute to GHG reductions may be eligible if they are part of an eligible clean energy project, zero emission project or expand the volume of clean energy generation. Note that transmission energy efficiency measures that contribute to GHG reductions are eligible for New ERA funding.

## Suppose a developer is using DOE money to develop a transmission line. Can a co-op lease that line as part of its overall System Portfolio to reduce GHGs and serve their members? If so, can the co-op still use New ERA money to help offset the cost of the lease?

The cost of leasing transmission could be included in a New ERA proposal for funding as part of the cost of enabling the use of new clean energy within a PPA or through ownership. The cost of leasing transmission from a third-party alone, unrelated to a New ERA eligible project, would not be eligible for New ERA funding. RUS, however, cannot speak to any DOE-related requirements or restrictions on the referenced funding. RUS would have to make certain that the transaction complied with both agencies' rules and would not in effect pay for the same asset twice.

## Can we use RUS funding to purchase an equity interest in a project? If so, how would that relate to funding a PPA for that same project with New ERA financing?

Yes, the purchase of an equity interest in a clean energy project may be eligible for funding. PPA terms and requested funding from USDA should reflect a proportional adjustment related to the amount of equity ownership and the nature of the ownership. Please note that purchasing an equity interest in a project using USDA funding may trigger the need for environmental review, and the Applicant should discuss this as soon as possible with the Agency.

## Would payments for waste-to-energy PPAs work the same way as the guidance provided for solar PPAs?

Funding under New ERA only allows for the use of clean energy, including renewable biomass. The term renewable energy source means an energy conversion system fueled from a solar, wind, hydropower, biomass, or geothermal source of energy. Biomass that generates electricity is eligible. Biomass that generates gas is not eligible. If the waste-to-energy system includes non-renewable inputs, the project would be ineligible for New ERA PPA financing.

## Are community solar renewable projects, including subscription-based projects, eligible under New ERA? If so, does RUS require the Eligible Entity who is putting forth the project in an LOI to include those distribution cooperatives who will be part of the community solar off-take?

Given the variety of ways that community solar projects are designed, the Agency would need to know more information about how the project is being designed. Please send us more information about how the project would be structured, particularly the identity of all entities participating in the ownership of solar assets.

## Can an eligible New ERA applicant use New ERA grant or loan support for a PPA with a group or cooperative that aggregates power from farmers who generate clean energy for their own use and/or can sell excess power?

Yes. The aggregator of the excess farmer-generated clean power could create a PPA with a New ERA eligible entity, or farmers could directly sell clean power to a New ERA eligible entity through a PPA. The electric cooperative and the farmers could also pursue an arrangement through net metering if the electric cooperative owned the distributed generation assets; those distribution assets would be eligible for New ERA funding support. These kinds of arrangements could create new sources of income for farmers, alleviate stress on existing energy production facilities, and increase the resiliency of energy systems to extreme weather and other natural disasters.

## Would a rural electric cooperative organized initiative which targets a portion of the utility's clean energy purchases to come from farm-generated sources of power be a worthy community benefit in an applicant's community benefit plan.

Yes. That would be an excellent example of a community benefit. Farm operators who invested in clean power would have an opportunity earn new income from the sale of their excess power, which is a good community benefit. Additional benefits could include extreme weather resiliency and decreased pressure on existing energy production if these solutions are done through distributed power generation.

**\*\*Can funds be used to finance transmission system upgrades when the transmission system is not owned by the Applicant to receive clean energy from a generation project not owned by the applicant?**

RUS will consider reasonable costs for third-party transmission system upgrades that are needed to increase clean energy utilization by the Applicant.

**\*\*Can we cover the cost of interest during construction?**

Yes. Interest incurred during construction is eligible, pursuant to 7 CFR 1710.106(a)(4).

## **Stranded Assets**

**Can you help us refinance stranded assets?**

Yes. Under the New ERA program, if the proposed project results in or replaces a stranded asset, the applicant may request a loan with interest rates as low as 0 percent to refinance the debt related to the stranded asset, provided the benefits of the refinancing are reinvested in Eligible Activities under the program.

**Will debt be forgiven by RUS for stranded assets?**

No. New ERA does not include debt forgiveness. However, as noted, applicants can request to refinance a stranded asset at zero percent interest.

**If someone has a loan on an existing asset that they already retired or are considering retiring, what are they eligible for in terms of loans and grants?**

Under New ERA, RUS can refinance any existing debt on a fossil fuel asset if it has been retired or will be retired as long as the benefits of that loan refinancing are reinvested in New ERA eligible activities. Additionally, any Applicant can apply for a grant valued at up to 25 percent of a proposed Portfolio of Actions.

## What is a stranded asset and how will it be calculated?

Stranded assets are those that are not able to earn their original economic return and still carry outstanding debt. Under New ERA, refinancing of stranded assets can be done if it helps to meet the New ERA statutory goal of achieving the greatest reductions in greenhouse gases and promotes resiliency, reliability, and affordability.

## In the Stranded Investment Calculation, is the “Stranded Asset Value” the net book value of the stranded asset, or the outstanding debt?

The Stranded Asset Value is the outstanding debt related to the retired or to be retired GHG emitting asset.

## \*\*How do we determine the useful life of the Project for stranded debt related to retired carbon assets?

The applicant will request a loan term not to exceed 35 years. The agency will consider that request and consider the applicant’s total assets, ability to repay the loan and overall financial condition when underwriting the loan. To be eligible for stranded debt refinancing, the applicant must commit to dedicate the savings of the refinancing into new clean energy investments. Financing for those investments would be tied to the useful life of the infrastructure financed.

## \*\*If our debt is not specifically assigned to the stranded asset, can we seek refinancing of our general debt for an amount no greater than the remaining unamortized regulatory asset?

Yes. As stated in the notification of funding, "c. Loan Refinancing or Loan Modification. An Applicant may request to modify existing RUS or RUS guaranteed debt, or refinance debt from a third party, but only as such modification or refinancing relates to a stranded asset."

**\*\*Can the refinancing savings from a stranded asset serve for the 25 percent equity portion of a grant?**

Generally, no. To be eligible for stranded debt refinancing applicants must reinvest savings into new eligible clean energy investments. Whether sufficient financial resources result from that new investment will help determine the level of new equity required for a New ERA financed project. For distressed and Tribal communities, the Agency has flexibility to adjust the equity requirements.

**\*\*In the Stranded Investment Calculation, is the "Stranded Asset Value" the net book value of the stranded asset, or the outstanding debt?**

The Stranded Asset Value is the outstanding debt related to the retired or to be retired GHG emitting asset. Stranded asset value means the stranded debt remaining on the stranded asset when the Agency and Applicant reach agreement.

**\*\*Can we seek a 25% grant for the portion of funds being reinvested from the stranded asset refinanced?**

Yes, please see line 18 of the stranded asset calculator. Refinancing at rates as low as zero percent is being offered to refinance stranded debt related to retired or to be retired carbon intensive assets. To be eligible for refinancing, the savings from the refinanced stranded debt must be reinvested in new clean energy. The reinvested amount (not the refinanced amount) could be eligible for grant support up to 25% of the new clean energy investment resulting from the refinancing.

## Financial Questions

### Is our current indenture still suitable?

Yes, in most cases if you have an indenture where RUS is a current lender. Non-RUS approved indentures will need to be evaluated on a case-by-case basis for amendment or adoption.

### How will RUS handle debt forgiveness or grant awards?

For project loans and grants, no funding will be released until the project is completed and validated. For system loans, or stranded investment loans, progress payments will be considered on a case-by-case basis. The appropriate interest rate and maturity date will be applied at the time of the advance.

### How will tax credits work in relationship to the 25 percent equity requirement for project financing under New ERA?

Generally, RUS requires a minimum 25 percent equity for project financing. The source of the equity investment cannot be from a loan (neither a loan from the government or the private sector). The equity could come from a grant or potentially from an Inflation Reduction Act tax credit/direct pay in lieu of the tax credit, provided the borrower can provide adequate security to ensure that the equity investment is ultimately received.

For New ERA, the grant portion of an award may under certain circumstances qualify for the equity portion of a project because the grant will be a cash payment.

### Will this benefit our ratepayers?

Yes. There are short- and long-term benefits to ratepayers. Between the financial benefits offered by RUS and the Department of Treasury through direct pay tax incentives, the cost of clean power will be more affordable. The NOFO also expressly includes affordability as a factor in ranking New ERA applications, and both programs will consider consumer benefits in making awards by analyzing projects with and without the proposed financial assistance.

### Does RUS expect to have future funding rounds in this program?



We currently expect only one round of LOIs. If funds remain available, we expect making the remaining funds available in a subsequent round. This is typical practice across all RUS programs.

## Can New ERA funds serve as the in-kind contribution to the DOE ERA program?

If the IRA project meets the purposes of the other program, whether New ERA can be used for a matching or cost sharing requirement will be determined by the requirements of that program.

## What will happen to my funding if a portion of my project falls through?

Applicants are advised to inform RUS of any changes that may occur. Proposed modifications will be considered on a case-by-case basis.

## How is RUS determining the subsidy rate for New ERA?

The subsidy rate of a federal loan is determined by the difference between the Treasury Department's cost money and the interest rate charge for that loan at the time the loan is obligated. Under New ERA, Applicants can access interest rates as low as 0 percent, as low as 2 percent, or at the Treasury rate.

## What is the length of the lien?

Liens must be in place for the entire life of the loan.

## If my project has a cost overrun after funds are obligated, can I apply for more funds?

The Electric Program does not generally provide funding for cost overruns after funds are obligated. Applicants are strongly encouraged to ensure their cost estimates are reasonable.

## Is collateral required for grants?

Yes. If it is a project award, the award will be secured by the project award assets themselves. To the extent that a PPA is in place between the awardee and an off-taker, the awardee must collaterally assign the PPA to RUS as security and the off-taker must consent to such

assignment. Collateral requirements may be different for other entities, such as SUTA eligible applicants.

## What can I expect as a reasonable level of leverage with a given amount of budget authority for each type of loan defined in the New ERA program? What level of budget authority will a loan take up?

The RUS budget authority is guided by the Credit Reform Act. As Treasury interest rates change, the RUS terms are also subject to change. As stated in the NOFO, RUS reserves the right to negotiate a final financing package.

## Will the Federal Financing Bank impose any conditions or penalties if an eligible entity seeks loan modifications for a stranded asset?

Any prepayment premiums required by the Federal Financing Bank will need to be paid. The costs of prepayment premiums may be rolled into the amount of stranded debt to be refinanced. Applicants may also opt to cover prepayment premiums with an upfront payment from their own resources.

## Is the maximum limit of \$970 million inclusive of the loan and grant or just the grant portion? How is the budget authority that sets the maximum loan amount determined? Are there loan programs outside of New ERA that we can consider?

The New ERA funding notice permits the applicant to request or the agency to provide an award package that could include New ERA and electric program financing options for eligible portfolios of action. The maximum award amount under New ERA is set by statute (Section 22004) – no entity may receive more than 10 percent of the total \$9.7 billion of budget authority made available by the program (Section B.4 of the New ERA NOFO).

The subsidy rate of a federal loan is determined by the difference between the Treasury's cost of money and the interest rate charge for that loan at the time the loan is obligated.

Grant dollars consume budget authority on a dollar-for-dollar basis. A grant of \$1 million would consume \$1 million of budget authority. Loans are scored based on their subsidy rate which is made up of several components including the difference between the interest rate offered on the loan and prevailing U.S. Treasury rates, portfolio risk; and other factors at the time of obligation.

Subsidy rates are set on a regular basis (at least annually). RUS projects New ERA subsidy rates for Fiscal Year (FY) 2024 loan obligations are expected to be 42.23 percent for 0 percent interest rate loans and 19.30 percent for 2 percent or Treasury rate loans. The 2 percent and U.S Treasury rate loan subsidy rates are the same because the agency used a blended interest rate calculation for those two options. The actual subsidy rate applied to a loan is set at the time the loan is obligated and is subject to several variables. The subsidy rate estimates above are subject to change. In other words, if an eligible entity receives a \$100 million loan at 0 percent, that will be considered a \$42.23 million award; at 2 percent or treasury rate, that will be considered a \$19.3 million award.

**For PPA loans under the New ERA Program an applicant can request a loan for the remaining 75 percent with a 2 percent rate or 0 percent. Is the 0 percent for the stranded assets only or is also for serving disadvantaged communities at 40 percent of those served?**

The administrator has the discretion to adjust the interest rate down to 0 percent based on several factors, including for proposals that provide service to high levels of distressed communities (as per NOFO Sec.B.5.cii).

**Is loan forgiveness available for existing loans? For example if you have a Transmission CWP RUS loan agreement and those projects qualify for New ERA funding can we submit them for refinancing.**

No. Existing loans are not eligible for refinancing or grants. The exception is refinancing stranded assets.

**Can the 25 percent grant be applied to the refinanced debt?**

No, the New ERA grant of up to 25 percent can only be used for the eligible activities identified in the NOFO.

**Would an Applicant be able to stack an award received through the New ERA program with the DOE battery grant previously applied for (assuming an award for that grant was received as well)?**

New ERA funds can be "stacked" with other federal programs if permitted by the other agency and program.

## Will Total Utility Plant (TUP) categorical classifications be based on the total installed plant value before depreciation, or will they be based on net depreciated book value?

TUP will be based on the total installed plant value before depreciation.

## What are the determining factors for loans set at 2 percent, 0 percent, or Federal government's cost of money?

The most competitive applications, *i.e.*, those that propose achieving the greatest reductions in GHG emissions, will receive the best financial offerings in terms of grant amounts and interest rates as outlined in the product offerings. This includes Treasury loan interest rates as low as 2 percent interest for all eligible activities in the funding announcement; or as low as 0 percent for refinancing stranded asset debt, projects that will replace a stranded asset or that will serve at least 40 percent energy communities, disadvantaged communities, and others as described in the funding announcement. Applicants should request what they need to accomplish their portfolio of actions.

## Can decommissioning costs be financed with New ERA funds?

Here are two examples where RUS could support decommissioning costs:

- i. The regular RUS Electric Program under the Rural Electrification Act (RE Act) allows RUS to support decommissioning costs at RE Act Treasury rate of interest financing, provided such financing is otherwise eligible, feasible, and securable. This could be combined with a New ERA package of support.
- ii. The New ERA program could also cover reasonable decommissioning costs if they are part of the project costs/site preparation for a proposed New ERA eligible project. For example, if a proposed New ERA solar project was being built on a site where there was formally a coal plant, some of those site preparation decommissioning costs could be requested for Agency consideration as part of a New ERA application.

## \*\* Can financial lease structures be used as part of New ERA projects to provide upfront financing?

Applicants may include financial lease structures in their LOIs. RUS will consider them and review for compliance with existing regulations and accounting principles.

**\*\*Will RUS system-level loans, for which RUS requires perfected senior lien in all system assets, be secured on co-equal footing with other senior debt?**

A priority senior lien on RUS debt is required, however, under certain circumstances, the Administrator may consider a co-equal lien with other senior debt when there is sufficient equity.

**\*\*Given that the PPA energy delivery date is several years away we do not yet have a final price, so what should we put as the price in the LOI?**

You may use your expected costs or market projections.

**\*\*Should our total grant and loan request ask for the total minus the Investment Tax Credit amount? Or should we keep our request at 100 percent of the project costs for the pre-proposal and adjust the final cost with our final proposal?**

The request should be at 100 percent of the project cost for the LOI.

**\*\*Should the net present value of a 30-year PPA be calculated on the first 20 years of the PPA or all 30 years?**

For the financial calculations, the NPV should be calculated for the term that the New ERA funds will be covering, i.e. up to 20 years. For the GHG tool, the GHG should be included for the life of the project.

## Legal Requirements and Regulations

### Is transfer of ownership allowed?

Yes. The sale or transfer of assets are permitted only with the approval of the RUS. USDA must ensure that taxpayer and consumer interests are protected.

### Does New ERA require Davis-Bacon compliance?

Yes. Davis-Bacon requirements are mandatory for IRA programs.

### Is there any extra scoring for using American-made steel, American-made manufactured products, or paying prevailing wages?

No, compliance with the applicable BABAA provisions and the Davis-Bacon Act are requirements of New ERA program and are not scorable items.

### Are we required to complete an EIS (Environmental Impact Statements) for New ERA projects?

Applicants should reference 7 CFR part 1970 for details on the different levels of environmental review documents (e.g., a Categorical Exclusion with an Environmental Report, an Environmental Assessment, or Environmental Impact Statement in accordance with subparts B, C, or D, respectively).

### If we contract for energy through a developer (PPA) do we have to comply with the Build America, Buy America rules?

No, the mere purchase of power would not trigger BABAA.



## What are the reporting requirements during the project execution?

Reporting requirements for New ERA can be found in the NOFO under Section F.

## Is New ERA subject to 2 CFR 200?

Yes. 2 CFR 200 applies to New ERA if you are a covered non-federal entity as defined in 2 CFR 200.1.

## While projects being constructed under New ERA must comply with the “prevailing wage” requirements of the IRA, are the “apprenticeship” requirements similar to other IRA projects (ITCs and PTCs for example) also required under New ERA?

No, apprenticeship requirements do not apply to RUS IRA programs; however, apprenticeship programs would be an acceptable item to include in the Community Benefit Plan.

## Are design-build contracts allowed for procurement in New ERA projects?

Yes. Design-build contracts are allowed for New ERA projects. The contracts must be competitively bid and meet the additional requirements given in 7 CFR Part 1726, as applicable.

## Are prevailing wages required if a cooperative has a labor union?

Yes. Prevailing wage requirements are required even if the cooperative has a collective bargaining unit.

## **\*\*Will we be subject to RUS jurisdiction rather than FERC if we take RUS IRA funds?**

FERC typically defers to RUS jurisdiction. Should they want, Applicants could petition FERC to remain under FERC jurisdiction. While RUS cannot speak for FERC, awards under New ERA (Section 22004) are not made under the authority of the Rural Electrification Act (RE Act), the funding authority specified in Section 201(f) of the Federal Power Act regarding exclusions from FERC jurisdiction for electric cooperatives.

## Environmental Review

### Can third parties help with our environmental reviews?

Yes. Borrowers may hire third-party consultants - approved by RUS - to prepare the necessary reports and data for the completion of the required environmental review. A portion of those costs may be eligible for reimbursement in New ERA award, following typical RUS guidance.

### Is NEPA required on a build-transfer basis?

A federal nexus is applied to build-transfer agreements (BTAs) since the developer owns the project until mechanical completion and then the purchase is made and title is transferred to the applicant. As a result, NEPA would apply to the project.

### Under a Purchase Power Agreement (PPA) scenario, is there a requirement for NEPA review?

Under a PPA scenario, there is no requirement for RUS NEPA review unless RUS funds are used to construct the project. The seller of the power may have their own NEPA requirements for their project, but an arms-length transaction to use Agency funding to purchase power from a clean-power vendor would not trigger RUS NEPA review.

### \*\*What can we expect from RUS in terms of expediting permitting process or categorical exclusion expansions, given the robust environmental benefits of clean energy?

RUS is taking several steps in the short term to address the expected demand and the limited timeline for IRA projects, including expanding its environmental review team and developing a webinar for awardees to highlight best practices in the NEPA process to minimize time spent on corrections. Please note that if your proposed projects are being reviewed by other federal agencies you should immediately coordinate with RUS so duplication can be avoided. An environmental clearance from another agency does not automatically convey approval from RUS.

Applicants can also help advance the environmental review process by engaging the Agency even before an award is made to determine the environmental review requirements for their proposals and to plan their deployment schedule accordingly. Where necessary, applicants may begin working with an RUS-approved contractor to conduct environmental assessments and begin work on environmental impact statements by following the RUS NEPA guidance (Sections 7CFR1970.101 Subpart C and 7CFR1970.151 Subpart D). The Agency will need to be a party to any contracts to develop an environmental impact statement. NEPA documents submitted with missing or incorrect information often delay the environmental review process, so working with NEPA experts will reduce the risk of delay. Construction should not begin before relevant environmental reviews are completed. Starting this process as early as possible is very important. Please note that beginning the environmental review process early does not guarantee an IRA award. Applicants who incur environmental review costs will not be reimbursed for any of those expenses if their project is not funded. Please refer to the May 16, 2023, NOFO for additional information regarding environmental review.

**\*\*If an Eligible Entity enters into a design, build, transfer (DBT) arrangement with a third-party renewables developer (Developer) to construct new renewable energy projects (solar, battery, and so forth.):**

**a. Is the Eligible Entity or the Developer responsible for acquiring environmental review (NEPA)?**

As the recipient of funds, the Applicant is responsible for ensuring that all appropriate environmental reviews are completed and approved by RUS. The Applicant may delegate that responsibility to the developer as part of their contract, but it is ultimately the Applicant's responsibility.

**b. Under a DBT approach for renewable projects, the Eligible Entity may be required to fund major milestones during the project life cycle. Can RUS administer grant funds to cover the 25 percent of milestone payments if set milestones are known at the time of the System Award or shortly thereafter?**

For either project finance or system finance, *grant funds* under New ERA will not be released until after projects are completed, operational, and verified. For system lending, *loan funds* may be

advanced during construction. For project lending, both loan and grant funds would be released only after projects are completed, operational, and verified.

c. Does the Developer, as the entity constructing in a DBT approach, have to demonstrate adherence to prevailing wage and Davis-Bacon requirements to the Eligible Entity or RUS?

Yes.

d. At what point in time would ownership of a project need to be transferred under a DBT to qualify for the grant?

The asset must be fully operational and validated before a transfer of ownership could occur. This validation should occur well in advance of mid-2031 to ensure time for ownership transfer and final disbursement.

**\*\*Assuming an applicant is willing to assume the risk of not being selected for funding, can applicants begin the process of seeking environmental review before we submit the application to reduce risks of delays?**

Yes.

## **GHG Calculator (ART Tool)**

**Can fossil plant closures before the IRA effective date be counted in our GHG reductions?**

For scoring purposes, greenhouse gas reductions are based on 2022 data. Applicants will not get scoring credit for closures or investments which occurred prior to the date of enactment but would get scoring credit for Eligible Activity investments made after the date of enactment which replace power from the closed asset.

For funding purposes, an applicant:

- May request to refinance loans from stranded assets that result from a previously closed fossil fuel plant. Savings resulting from the refinancing must be directed toward Eligible Activities of the program.
- May request a zero percent interest loan for the debt associated with replacing a stranded asset.

## What is the difference in scoring between the annual tons of CO<sub>2</sub> equivalent reduced and the annual tons of CO<sub>2</sub> avoided?

Per the statute, the primary focus of the statute is on GHGs reduced, in addition to a baseline that systems must be affordable, reliable, and resilient. GHGs reduced can score up to 30 points and GHGs avoided can score up to 10 points.

## If a cooperative Generation and Transmission is part of a multi-utility power pool, where power is dispatched and sold to the power pool, how does the rural electric cooperative account for its GHG reductions?

GHG reductions will be measured by the change between its 2022 base year and the completion year of its portfolio of actions. If the amount of the Applicant cooperative utility's clean energy production and sales increase over time, whether it be to their native load or new customers, all things being equal, that increased activity should be reflected in the ART's output.

## We were planning to build a new peaker plant but if we are awarded funds we can avoid that, so can we include those avoided GHG emissions in our calculations?

The ART tool does not include a specific way to include this information, but you should include this important information in the narrative of the GHG section in the LOI and application stages.

## How does a long-term firm power hydropower asset compare to intermittent shorter-term wind and solar projects in the ranking of loan value? Can a hydropower asset use the life of the asset for calculating avoided or removed emissions?

Assets with firm power could have a higher capacity value than intermittent resources and therefore could have a higher level of electricity generated, which is included in the GHG score. The longer life of an asset does not factor into the GHG calculator tool, which looks at a snapshot of emissions in 2022 and emissions in 2031.

## Are storage-only proposals eligible? How do we model the GHG impact in the Achievable Reduction Tool for battery energy storage (BESS) technologies or other storage assets?

If storage increases the energy usage from renewable energy assets that are on that system, then a storage-only proposal would be eligible. The ART model can include and handle BESS systems and does not need a separate template. The annual MWh output from retrieving the renewable energy from BESS should be entered as renewable energy output. BESS systems do not generate clean energy on their own – BESS systems provide a reservoir for time shifting the dispatch of renewable energy that has been generated. This allows more targeted displacement of fossil generation and this can be entered into ART. In the ART tool, note that BESS output reflects the GHG characteristics of the type of charging generation. So, storage can affect an ART score.

## For purposes of the ART tool, how does RUS want Eligible Entities to reflect the useful life of batteries and solar panels under “Renewables” if both technologies have very different useful lives (e.g., 10 years vs. 30 years)? For the term of a requested loan, how should applicants reflect the useful life of various technologies?

For the ART tool, the Applicant should use reasonable useful life assumptions and make those assumptions clear in their LOI and Application. For the term of a requested loan, Applicants should use the cost of the weighted average. The Agency reserves the right to suggest the use of different useful life assumptions if it does not agree with the Applicant’s useful life assumptions.

## \*\*For GHG reductions created through PPAs, should we list the project cost to the developer or the PPA price to the applicant?

The PPA cost to the New ERA Applicant.



## Data Submission and Mapping

What if the maps for the designated communities (for example, energy communities, Tribal communities, disadvantaged communities, and so forth) does not include my region and I believe it should?

Please feel free to submit your proposal with your requested designation and rationale for why it should be included, and we will take it into consideration. We cannot guarantee that we can approve it, but we understand that maps may sometimes not capture the complete local context.

Will RUS use the digital shapefile of the service area to make a determination on program qualifications (for example, loan forgiveness levels, interest rates, rurality, and so forth)?

Yes. Applicants will need to provide Service Area Locations in the form of a digital Shapefile with the LOI submittal. The Service Area digital Shapefile must show the location of each Project and the eligible service area associated with each project. The Service Area Shapefile will be used to provide a verification of Eligible Service Area requirements for eligibility purposes and discount levels.

What do I do if I'm having difficulty with the RUS geospatial mapping tool?

- Contact the USDA Innovation Center for support to create the version with the RUS tool at [usda.rd.data@usda.gov](mailto:usda.rd.data@usda.gov). If you still cannot create a map, you can submit your own Shapefiles with the following criteria:
- All map areas must be closed, non-overlapping polygons with a single, unique identifier for each Project.
- The Shapefile must have an assigned projection with an accompanying .prj file.
- The Shapefile must use an unprojected (geographic) WGS84 geographic coordinate system.
- The Shapefile must be submitted as a \*.zip file. This can be done with WinZip or in Windows by selecting the files associated with a Shapefile, right-clicking the files, then clicking Send to Compressed (zipped) folder.

- If submitting multiple projects, each project service area should be zip filed separately. This \*zip file can contain multiple non overlapping polygons if associated with the same project.

## Can I submit alternative information for the GHG calculation if I feel the tool does not fully measure my projects' impact?

Yes. You may also provide the data that is required within the Achievable Reduction Tool by another method. The Eligible Entity's use of other methods, however, may impact RUS's timeline for review of the LOI. An applicant that elects to use methods other than the Achievable Reduction Tool must demonstrate that its chosen method provides comparable information as the Achievable Reduction Tool that will allow RUS to score the LOI.

**\*\*Should the Shapefile document represent the entire service territory of a project or just the members on the substation circuit that the project will serve? What if the project is outside the service territory?**

The specific project area that will be served by each project should be in distinct Shapefiles. Additionally, Shapefiles for the entire service territory must be included. This is both for projects that are inside or outside of the service territory.

## Miscellaneous Questions

**Where can Electric Program Bulletins be found?**

EP bulletins are available at: <https://www.rd.usda.gov/resources/regulations/bulletins>

**When and where can I find the webinar recording, GHG tool, and slide deck?**

The slide deck is available here (<https://www.rd.usda.gov/media/file/download/rus-electric-ira-standard-presentation.pptx>). The GHG calculator tool called the Achievable Reduction Tool (ART) is available here (<https://www.rd.usda.gov/programs-services/electric->

[programs/empowering-rural-america-new-era-program#to-apply](#)). The recordings will be made available within two weeks of each call and be posted here (<https://www.rd.usda.gov/inflation-reduction-act/ira-events>).

**Is there list of professional consultants that can provide information and help with the New ERA Program?**

No. RUS does not maintain a list of professional consultants.

**Is there information available regarding Power Purchase Agreements?**

Yes. Information on PPAs can be found on the following website: Empowering Rural America New ERA Program | Rural Development (usda.gov)

**Can and will RUS reallocate Category 2 and 3 funds into Category 1 projects if smaller cooperatives are not putting forth projects and “leaving funds on the table”? If so, can RUS provide any insight on how the reallocation would work, is it on a first-come, first-serve basis, or will the reallocation be used to fund the portions of Projects or System Awards that perhaps did not receive grant funding during the first LOI window, or a combination of both?**

Under the NOFO, each category will have its own competition. Within categories, funds will be awarded based on the criteria outlined in the NOFO. Per the NOFO, RUS will use at least 60 percent of the funds for Category I Applicants and then can use any amount of budget authority up to 20 percent of funds each for Category II and Category III. If RUS uses less than 30 percent in either Category II or Category III, it can move that funding into another category.

**\*\*Do we have sample documents about standard operating and financial reporting for an RUS project loan?**

The “RUS Financial and Operating Report Electric Power Supply” is the template for RUS project loans that details the standard operating and financial reporting. RUS reserves the right to request additional information. See [https://www.rd.usda.gov/sites/default/files/OpRpt\\_PS\\_2013\\_Current.pdf](https://www.rd.usda.gov/sites/default/files/OpRpt_PS_2013_Current.pdf).

## **\*\*What information will be shared publicly or is subject to FOIA?**

If application information is requested under the Freedom of Information Act (FOIA), it would be released or withheld pursuant to the provisions of FOIA. Note that FOIA provides exemptions for the withholding of information submitted to the government that is considered trade secret, business proprietary, or privileged or confidential. If Applicants believe submitted documents meet this exemption, Applicants should clearly mark every page containing such information as confidential business information.

## **\*\* How can farmers benefit from this program?**

Farmers could benefit from this program in many ways. For example, but not limited to:

- Farmers could lease or sell uneconomical farmland for clean energy development or integrate solar with agricultural activity such as grazing to earn an additional revenue stream.
- Farmers could benefit from lower electricity costs since all awarded projects must demonstrate consumer benefits.
- Distributed generation also increases the resiliency and reliability of the electric grid, which could help farmers avoid costly power outages.
- Clean energy on farmers’ property could be aggregated and sold to rural electric coops.
- Rural electric coops could own solar on farmers’ properties and make rental payments.
- Rural electric coops can allocate a portion of their clean energy purchases to come from farm-generated sources of power.
- Successful applicants must establish Community Benefit Plans that could include benefits for farmers.
- Developers could create Good Neighbor Agreements that include fair compensation provisions.