

# Frequently Asked Questions

Powering Affordable Clean Energy (PACE) program  
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 both the PACE and New ERA programs. 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 and PACE 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 to this version are marked with a double asterisk.**

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## Questions Applicable to both PACE and New ERA

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### 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.

### 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.

### 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 do we handle jurisdictional issues with the Federal Energy Regulatory Commission (FERC)?

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) and should not affect FERC jurisdiction. Conversely, PACE (Section 22001) does provide funding for an RE Act authorized program. Applicants should consult their legal counsel.

### 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 PACE or 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 PACE or New ERA financing provided it is part of the overall clean energy “system.” Transmission system energy efficiency projects are also eligible under New ERA.

### 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.

### 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.

### **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.

### **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.

### **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.

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

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

### **How will tax credits work in relationship to the 25 percent equity requirement for project financing under PACE and 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 PACE, the loan forgiveness offered cannot be used for the 25 percent equity requirement because it is not a cash payment. 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.

### 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.”

### 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 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.

### 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>).

### Can New ERA or PACE 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 or PACE can be used for a matching or cost sharing requirement will be determined by the requirements of that program.

### Are these programs available to individuals?

No. These programs are not designed for individuals.

Under PACE, RUS will accept LOIs and Applications from entities as described below:

- For-profit organizations.
- State or local governments.
- Indian Tribes defined by the Federally Recognized Indian Tribe List Act of 1994 (Pub. L. 103–454; 108 Stat. 4791, 4792), including their wholly arms and instrumentalities.
- Alaska Native Corporations, including regional or village corporations as defined under or established pursuant to the Alaska Native Claims Settlement Act (Pub. L. 104–42; 85 State. 688)
- Nonprofits.
- Institutions of higher education.
- Community-based organizations, distribution electric cooperatives, and generation and transmission electric cooperatives.

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).

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

Yes. Under PACE, the upgrading of existing linear facilities and equipment that are necessary to operate the Project including, but not limited to, transmission or distribution facilities that are needed to export, transmit, and deliver power from the generating facility to the Off-Taker are eligible. 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 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.

## 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 the PACE or New ERA award, following typical RUS guidance.

## 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 PACE and 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 PACE, Applicants can access interest rates that are based on the municipal rate which is set by the agency on a quarterly basis. Under New ERA, Applicants can access interest rates as low as 0 percent, as low as 2 percent, or at the Treasury rate.

## Do PACE and New ERA require Davis-Bacon compliance?

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

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

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

**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.

**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.

**Can I apply for both the REAP and New ERA or PACE 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 or PACE award, it may apply in a future application window for REAP if the project would qualify.

**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 the PACE and New ERA programs and are not scorable items.

**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.

### What is the length of the lien?

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

### 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.

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

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

### 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 PACE or 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 apply for just energy or battery storage?

For PACE, stand-alone energy storage is only eligible if it is supporting renewable power. In New ERA, energy storage is eligible as part of a system that supports overall GHG reductions and reliability, resiliency, and affordability.

### 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 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.

### Are there any fees for applying?

No. There are no fees for submitting an application.

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

Reporting requirements for PACE and New ERA can be found in each NOFO under Section F.

### 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.

### Are PACE and New ERA subject to 2 CFR 200?

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

## Can I preorder materials for a proposed PACE or 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.

## 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.

## While projects being constructed under both New ERA and PACE 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 both New ERA and PACE?

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.

## 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.

### **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.

### **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.

### **Does the LOI requirement of a 1,500-word description apply to the entire package of projects we propose, or does each project get 1,500 words?**

Regardless of the number of projects, the 1,500-word limit must include all projects requested in the LOI.

## **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.

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

RUS will publish the list of awardees and a summary of project and no information about applicants that are not awarded. If application information is requested through a Freedom of Information Act, it would be released following those terms, which allows for protection of confidential business information.

## **\*\*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.

## **\*\*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 PACE, the off-taker must be located in an eligible community or service area. For New ERA, the applicant must be an eligible entity.

## Questions for PACE

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In the PACE program, a town of less than 20,000 population is considered rural. Could a larger city of 40,000 be eligible for PACE financing if the proposed project includes service to several other communities with population of less than 20,000?

Yes. In PACE, the service area is eligible if more than 50 percent of the population within the service area is rural.

For example, a city with a population of 19,999 is 100 percent rural. Similarly, a service area made up of multiple communities each with populations of less than 20,000 would also be eligible as 100 percent rural. Towns with populations greater than 20,000 could be eligible if they are part of a service territory that includes more than half of its population living in rural areas. If the service area contains a city with a population of 40,000 and all the other areas in the service area are “rural” as defined in the NOFO, the population of the service area residing in rural areas outside the city’s boundaries must be at least 40,001 in order for the service area to be eligible.

**Are rural commercial customers such as industrial facilities, hospitals, also eligible off-takers?**

Yes. As the funding announcement says: “An off-taker may be any customer or member of the PACE applicant that purchases and receives the electrical power and energy from the PACE applicant.”

**Are you required to have a Power Purchase Agreement (PPA) or are other arrangements eligible?**

Other arrangements are eligible. As the funding announcement says: “Projects can be developed by eligible applicants developing new renewable power generation from RER and ESS for use by Off-Takers through a PPA **or a financial guarantee that ensures Financial Feasibility.**” As long as an applicant demonstrates that the arrangement is financially feasible, USDA will consider alternatives to a PPA.

**Doesn't PACE stand for property assessed clean energy? Is this new USDA program different from property assessed clean energy financing used by**

## businesses and non-profits in many states, including farms and rural businesses?

Yes. These are two different PACE programs. Property Assessed Clean Energy is a financing tool that allows property owners to finance building construction or retrofits to make them more water- and energy-efficient or to deploy renewable energy. USDA has supported commercial PACE actively by providing consent for projects in multiple states when the property involved has USDA-backed mortgage financing, going all the way back to the early days of PACE (an example story is available at this link: <https://leanandgreenmi.com/casestudy/cambridge-court-apartments-a-usda-pace-first/>). You can find information about commercial PACE programs around the country here (external website link: <https://www.pacenation.org/pace-programs/>). The new USDA program – Powering Affordable Clean Energy - is different in that RUS is providing partially forgivable loans for large-scale clean energy projects that are for resale (not for use by individual property owners). Thus, these are two different programs with different eligible participants.

Is the \$100 million cap per application for all of the projects submitted under a single LOI, OR is the cap per project?

The \$100 million cap is per application, for all of the projects submitted under a single LOI, and inclusive of the debt forgiveness and debt.

## Does production of renewable natural gas qualify for the loan forgiveness program?

Electric generation from biomass is eligible. Production of renewable natural gas alone would not qualify. PACE requires electric generation.

Can we apply for the loan forgiveness if our loan application is sent in before June 30 or should we wait until after June 30 to submit both our loan application and LOI for loan forgiveness?

The submission of a loan application does not disqualify you from submitting an LOI for PACE or New ERA. As long as the project has not started construction before the date of enactment or before the completion of environmental clearance, it would be eligible for an LOI submission.

## Can a loan cover the cost of interest during construction?

Yes. The cost of interest during construction can be included as a reimbursable cost.

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

No. PACE funding is available for new, renewable power generation. It is not available to purchase renewable energy through a PPA or to refinance a project already in operation.

## How is rural defined for PACE?

For PACE, rural is defined as an area with a population less than 20,000 inhabitants or service areas of current RUS Borrowers or former RUS and Rural Electrification Act (REA) borrowers. The requirement to serve at least 50 percent rural can be satisfied by using either of these two methods:

- At least 50 percent of the population of a service territory is located in Rural Areas over the total population of the entire service territory; or
- At least 50 percent of meters served in a service territory are in Rural Areas over the meters served in the entire service territory.

## Can an applicant apply to PACE even if the full environmental review for the site or sites is not complete?

Yes. An Applicant may submit an LOI even if the full environmental review process is not complete. As outlined in the NOFO, if, after reviewing the LOI, RUS invites an applicant to proceed with a Loan Application, and the Applicant has not received written notice from RUS that the Project environmental review process is formally concluded as provided in 7 CFR 1970.11, the Applicant must submit documents that establish that a review is in progress and no ground disturbance activities have started prior to receiving notice that the Environmental and Historic Preservation Requirements have been completed. This requires the Applicant to include a certification that construction has not started and that it will not start prior to obtaining written notice from RUS. The Applicant must further state the type of environmental review document it believes needs to be prepared in accordance with 7 CFR part 1970. The Applicant must provide a description of any potential environmental controversy or extraordinary circumstances, and the estimated timelines for completing the environmental process. Applicants are strongly advised that commencing construction prior to environmental or historic preservation clearance could make a Project ineligible for RUS financing.

## Are engineering studies required under the PACE program?

At the LOI stage, engineering studies are not required. However, if you are invited to submit an application, a signed final engineering report or final engineering and power cost study must be provided.

## Are consumer owned products and equipment, such as heat pumps, rooftop solar, electric vehicles, charging stations, electric storage devices or energy efficient appliances, eligible for funding under PACE?

No. Only new “electric generation from renewable energy resources” defined as “solar, wind, hydropower, biomass, or geothermal” for resale (including sale to a utility’s own customers) as

well as energy storage in support of those types of renewable energy sources plus associated linear facilities are eligible for PACE financing. However, USDA Rural Development does provide funding for consumer-owned renewable power systems and energy efficiency projects through the Rural Energy Savings Program (RESP), the Rural Energy for America Program (REAP), and the Communities Facilities program.

### Is there a limitation in the PACE program to qualify as utility scale power?

The size limitation is the project can be anywhere from \$1 million to \$100 million.

### Can PACE funds be used to refinance a current operating project that would otherwise meet eligibility criteria?

No, only new projects, not operating projects, are eligible for PACE. No construction can have commenced prior to completion of the environmental review process.

### What is considered ineligible merchant power? If an Independent Power Producer offers the purchaser the option to buy renewable assets after the ITC or PTC tax credits have run their course, can the IPP qualify for loan forgiveness?

Merchant power plants are designed for competitive wholesale power marketplaces and spot markets and are ineligible for PACE. PACE projects must have clear off-takers, of which at least 50 percent need to be rural. If an IPP sells renewable energy with a bankable buyer, it could be eligible under PACE.

### How do you define biomass? And are heat generation or waste heat to power eligible?

Biomass is defined within the REA Sec 317(a). The term renewable energy source means an energy conversion system fueled from a solar, wind, hydropower, biomass, or geothermal source of energy. Heat generation is not eligible under PACE. Biomass that generates electricity is eligible. Biomass that generates gas is not eligible.

### What is the timing of receiving the loan commitment letter, the loan funding, and when is the forgivable portion actually forgiven?

Please see our PowerPoint presentation (<https://www.rd.usda.gov/media/file/download/rus-electric-ira-standard-presentation.pptx>) that outlines the timelines and process. The financing and loan forgiveness are provided once the project is operational.

### Are these non-recourse loans or do they require a corporate guarantee?

All loans with RUS are non-recourse loans and must be backed by reasonably adequate security of the asset itself. Parent or corporate guarantees can be part of a borrower's credit support measures to ensure loan repayment.

**Can a project that exceeds costs greater than \$100M use other federal government loan programs, including USDA or other federal programs, with the PACE program? How does the priority of collateralization of loan assets work in these situations?**

Yes. PACE can be stacked with other federal programs if permitted by the other program. Loan prioritization will be assessed on a case-by-case basis.

**How do we define a rural service territory for electricity delivered within a Regional Transmission Organization? And how do we determine eligibility of a rural service territory if the generation and the service territory are in different locations?**

For PACE, the rural determination is based on the service territory of the off-takers.

**Would gaming or casino operations preclude a Tribe or Tribal Utility from being able to participate?**

No, having a gaming or casino operation would not disqualify a tribe from applying.

**Are new and upgraded transmission or distribution projects eligible if they distribute power from an existing hydropower dam? Are upgrades or repairs to existing hydropower dams eligible if they do not create additional generation?**

No. Only new generation or new added capacity and associated storage projects are eligible.

**For PACE, are there any restrictions on what an eligible entity will do with the clean energy? Can the clean energy be used in a community solar project? Can the energy be used for sole use of one customer or group of customers?**

PACE must be for resale. Community solar has a number of different structures. Under PACE, we do not require a PPA, so different models may work. Applicants must demonstrate that the project is financially viable.

## Is security required? Is there an equity requirement?

Yes. Loan security is required at the asset level. There is a 25 percent equity requirement. However, the Administrator may consider requests to waive the 25 percent financial equity requirement for PACE awards where the Project will serve areas covered under SUTA.

## What is the PACE opportunity number for Grants.gov?

The PACE Opportunity Number is RUS-PACE-2023

## Is any amount of electricity able to be used by the Borrower or does 100% need to be for resale?

It must be entirely for resale.

## Can forgiveness be set at different rates for separate projects within one application?

Yes. A statement describing multiple projects, should detail each Project and what percentage of loan forgiveness percentage the Applicant is seeking. Each Project proposed by an Applicant can request a forgiveness level based on the service area of the Project or the legal character of the Applicant. For example, if an Applicant includes two different Projects in one Application: for one project, 50 percent or more of the population served by the proposed service area is located in disadvantaged communities; and for the second project 60 percent or more of the area served is Tribal, the Applicant can request 40 percent forgiveness for the first Project and 60 percent forgiveness for the second Project. Additionally, as outlined in Category III loan forgiveness, if the Project is or will be owned by an Indian Tribe defined by the Federally Recognized Indian Tribe List Act of 1994, including their wholly owned arms and instrumentalities, or an Alaska Native Corporation, the Applicant can request 60 percent forgiveness for all Projects proposed in a single application.

## Will Project Loans under PACE have a fixed or floating interest rate?

PACE loans will be made at the RUS "municipal" rate, which is based on municipal bond rates for similar maturities. RUS periodically sets this rate and publishes it on the RUS website. The actual rate will be set at the time loan funds are drawn and will carry the RUS municipal rate in effect at that time. The municipal rates published on the website are the rates a borrower would pay if funds were drawn on that day. When funds are drawn and the rate is set, that rate will be the rate in effect for the life of the loan. If funds are drawn in multiple installments over time, an interest rate will be assigned to each draw.



## Will applicants be able to upload spreadsheets and other supporting documents with the LOI? If there are multiple projects do we use multiple SF 424 forms?

Yes, Applicants can attach any LOI-related documents in Section 15 of the SF 424 when submitting the LOI on Grants.gov. Only one SF 424 form is required per LOI.

## What are the size restrictions for uploading to Grants.gov?

Please refer to the Grants.gov Frequently Asked Questions site for restrictions.  
<https://www.grants.gov/applicants/applicant-faqs.html#attachments>

What are the requirements for Shapefile, including comparably accurate Shapefile?

- 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.

## To be eligible for PACE, do you have to be a former or current RUS borrower?

No. PACE eligibility is broad, and you do not need to be a current or former RUS borrower. Please see the NOFO for information on eligibility.

## Does direct pay tax credit for solar affect possible RUS loan forgiveness?

No, in fact, we welcome the stacking of RUS PACE and New ERA programs with the IRA tax credits for the provision of affordable, clean energy.

## Other parts of the IRA (notably including the bonus tax credits guidance) carve out prevailing wage exceptions for projects under 1 Megawatt, is RUS

## requiring a prevailing wage certification for PACE projects less than 1 Megawatt?

Regardless of the system size, the successful LOI submitter will be required to comply with the provisions of the Davis-Bacon Act.

## Can a Public School System be a PACE borrower?

Institutions of higher education are eligible to apply for PACE funding. Public schools (for example, elementary, middle, and high schools) could potentially qualify as a community-based organization; however, PACE funds must be used for the resale of power and not for self-use. If a school is looking for renewable energy to meet its own energy needs, it should consider exploring the REAP or CF program. See <https://www.rd.usda.gov/inflation-reduction-act/rural-energy-america-program-reap> or <https://www.rd.usda.gov/programs-services/community-facilities>.