

Rural Energy for America Program Renewable Energy Systems and Energy Efficiency Improvements Questions and Answers 4.14.23

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Funding

How will an applicant determine which source of funding they should apply for?

An applicant will not need to worry about which source of funding to apply for. Applications which are only eligible for grants of 25 percent or less will automatically be funded using mandatory Farm Bill dollars until the funds are exhausted. Applications requesting grants above 25 percent up to the maximum of 50 percent will be funded using IRA funds.

What criteria are used to determine the maximum grant funding percentage?

Applications submitted on or after April 1, 2023 with projects that meet one of the following are eligible for a Federal grant share of up to 50 percent:

- Renewable energy systems or retrofits that produce zero greenhouse gas emissions at the project level;
- Projects located in an Energy Community defined in 26 U.S.C. 45 (b)(11)(B);
- Energy efficiency improvement projects;
- Projects proposed by eligible Tribal entities.

All other projects are limited to a Federal grant share of up to 25 percent.

Do anaerobic digesters and biogas projects qualify for the 50 percent federal grant share?

An anaerobic digester or biogas project would be eligible for the 50 percent federal grant share if the project will be located within an energy community as defined by the IRA or if the application is submitted by a Tribal entity.

Do projects with net zero or less than zero GHGE qualify for the 50 percent federal grant share?

Only if the project will be located in an energy community as defined by the IRA or if the application is submitted by a Tribal entity. Reduction, capture, or off-setting GHGE is not the same as a project which does not generate emissions in the first place.

What is meant by “at the project level”?

It means that the Agency only views the direct emissions of the project at the project site and does not consider other emissions that may occur outside of the project site.

Is there a maximum grant request amount?

Yes, the maximum grant request size is \$500,000 for energy efficiency improvements and \$1 million for renewable energy systems. There is no maximum total project size. The applicant determines what percent of grant funds to apply for up to the maximum Federal grant shares and grant request amounts.

Is there a limit on the number of REAP grant applications that can compete in a fiscal year?

Yes, an applicant can compete only one RES and one EEI grant application in a fiscal year. The maximum grant assistance to one applicant cannot exceed \$1,500,000, which equals one maximum funded RES and one maximum funded EEI project. The maximum grant award applies to all affiliated entities as if they applied as one applicant. For example, if three special purpose entities were formed to each operate a solar PV project and all entities are owned and controlled by the same parent company, the maximum RES award in a fiscal year for the parent company and all special purposes entities cannot exceed \$1 million.

How is energy community defined?

Energy Community is defined in 26 U.S.C. 45 (b)(11)(B), and as determined by the Department of Energy.

What are the REAP grant application deadlines and how do applications compete?

In response to stakeholder feedback the Agency added more frequent grant competitions. Six quarterly application windows are open and complete applications compete by score in the following quarter. Q1 is April 1, 2023 through June 30, 2023; Q2 is July 1, 2023 through September 30, 2023; Q3 is October 1, 2023 through December 31, 2023; Q4 is January 2, 2024 through March 31, 2024; Q5 is April 1, 2024 through June 30, 2024; Q6 is July 1, 2024 through September 20, 2024.

Grant requests of \$20,000 or less will automatically compete in a set-aside for small grants when applicable. Applications first compete for the state allocation of funds followed by national office pooling competitions. Applications not funded will automatically compete in the next available competition but must be withdrawn if not funded by September 30 of each year.

What are the application deadlines for a combined grant and guaranteed loan request?

There have been no changes to the process of making application for a combined grant and guaranteed loan. All grant and loan documents must be submitted simultaneously and applications are accepted year-round. The combined request competes for funding as a grant in the competitions outlined in the notice. If the grant is awarded, the requested guaranteed loan funds will be reserved for the project.

Can a project receive grant funding from both REAP and NRCS EQIP?

A project funded utilizing REAP Inflation Reduction Act (IRA) funds cannot exceed a federal grant share of more than 50 percent. Therefore if you have the same project, the federal REAP and EQUIP grant funding together could not exceed 50 percent. REAP projects funded utilizing mandatory funds are limited to 25 percent federal grant funding.

Can a project take advantage of both the REAP grant and the Federal 30 percent Investment Tax Credit?

Yes. A tax credit is not a grant but rather a credit that is applied to taxable income after the system has been installed. There is no conflict if a project takes advantage of both incentives. Applicants are advised to seek counsel from a tax advisor regarding eligibility and applicability of tax credits.

If awarded is the REAP grant considered taxable income?

Yes it is taxable income and awardees will receive a Form 1099-G from the Agency.

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Applicant Eligibility

Is a new business with no historical energy consumption eligible for REAP?

For energy efficiency improvement applications energy savings based on the last 12-60 consecutive months of utility bills are required. A renewable energy system application is scored as either a replacement of energy or as energy generation. Therefore, a new business entity would be eligible to install a renewable energy system that is scored as a generation project.

Are rural electric cooperatives eligible for REAP?

The cooperative would be eligible if it meets the SBA size standards.

Are rural housing cooperatives eligible for REAP?

The cooperative would be eligible if it meets the SBA size standards. Given REAP's residential restrictions the improvements that are being considered cannot benefit residential living quarters. Please contact your state energy coordinator to ensure project eligibility.

Are munis (municipally-owned utilities) eligible for REAP?

Small business is defined in [7 CFR 4280.103](#) and in part: (iii) An electric utility (including a Tribal or governmental electric utility) that provides service to rural consumers and operates independent of direct government control. The entity must also meet the SBA size standard. The Agency will need to look at how the municipally-owned utility is structured and governed to ensure the entity operates independent of government control. Many operate with majority control from a government entity and therefore would not be eligible.

Are all REAP applicants required to be small businesses and how is small business defined?

An applicant must meet the definition of either an agricultural producer or a rural small business as found in [7 CFR 4280.103](#). This small business definition is derived from the Small Business Administration (SBA) and uses the table of size standards in accordance with 13 CFR part 121 or the alternative size standard. Small business determinations are made using the size of applicant entity alone and the size of the entity combined with other entity(ies) it controls or entity(ies) it is controlled by.

Are 501C3 non-profits eligible for REAP?

No, in general non-profit entities are not eligible. The REAP statute allows a few exceptions which include: cooperatives, an electric utility, a tribal business entity, or an agricultural producer. These entities are still required meet the definition of small business in [7 CFR 4280.103](#).

Are hemp farms eligible?

Projects proposing to produce, procure, supply or market any component of the hemp plant or hemp related by-products, require the applicant entity to have an approved license with the state, and the state must have an approved plan with the USDA per 2018 Farm Bill requirements. Verification of valid hemp licenses will occur prior to award. Eligibility of hemp related projects is determined on a case by case basis depending on how the hemp will be used. Applications that utilize the hemp for nutritional or medicinal purposes including CBD are not eligible for REAP.

Are marijuana grow operations when legal within the state eligible for REAP?

Marijuana grow operations are not eligible for REAP as they are not legal on a Federal level.

Are affiliated entities considered one applicant?

The maximum grant award applies to all affiliated entities as if they applied as one applicant. Maximum grant assistance to an applicant in the fiscal year is \$1,500,000.

Project Eligibility

Can an application be submitted to install the same type of renewable energy system at multiple business locations located in multiple states and if so, where should the application be filed?

Each location would need to be owned by the exact same legal entity. If the technology to be installed at each location is the same, for example installing solar PV at each location, filing a single application is eligible. If solar will be installed at one location and wind installed at another location, the applicant would need to chose which application to file to compete with a fiscal year. An applicant can only compete one renewable energy system application and one energy efficiency application in a fiscal year. Applications are filed to the state where the project is located and in

cases where multiple states are involved, the applicant must choose one state in which to file the application. Please note that each site will require a separate environmental review.

Are stand alone battery storage projects eligible?

A project to purchase and install a stand alone battery is not eligible under REAP. If the applicant entity owns a renewable energy system and would like to retrofit the system with a battery, this would be eligible as a renewable energy system retrofit. New renewable energy systems with storage components are also eligible.

Are Electric Vehicle (EV) charging stations eligible under REAP?

A stand alone electric vehicle charging station is not eligible under REAP. A charging station that is part of a renewable energy system, such as a solar powered EV charge station, would be eligible as long as the energy will not be dispensed for retail use, e.g. self-use by applicant entity only.

Are commercially available distributed (smaller scale, behind the meter) wind turbines eligible under REAP?

Yes. REAP funds only commercially available technology and can fund a wide range of project sizes and proposed uses of renewable energy.

Are solar tractors or other electrified vehicles eligible under REAP?

Vehicles of any type (including boats), agricultural tillage equipment and used equipment, are not eligible under REAP.

What does “eligible rural area” mean? Can corporate headquarters be located in a big city as long as the project site is located in a rural area?

Rural Area is defined in [7 CFR 4280.103](#). Please visit the [rural area eligibility mapping tool](#) to determine if the proposed project is located in an eligible rural area. Applicant entity headquarters can be located in a non-rural area as long as the project site is located in an eligible rural area. Agricultural producer applicants may locate projects in non-rural areas as long as the project is related to agricultural production on the project site.

What is an energy efficiency improvement?

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An energy efficiency improvement is defined as improvements to or replacement of an existing building or systems or equipment, owned by the applicant, that reduces energy consumption on an annual basis. An energy audit or energy assessment is required which shows energy savings (kwh/btu) as a result of the proposed improvements. Examples include but are not limited to lighting, refrigeration, heating, ventilation and cooling, automated controls, and insulation.

Would the installation of new energy efficient equipment inside a newly built building with no historical energy use be eligible under REAP?

No. The REAP grant program is not intended to fund the installation of new energy efficient equipment in a new building. See definition of energy efficiency improvement above. Agricultural producers however may use guaranteed loan funds only to install new energy efficient equipment (EEE) and systems used for agricultural production and processing. Please visit our guaranteed loan page to learn more about this EEE guaranteed loan program.

How does the Agency define renewable energy, are green hydrogen systems using water and solar eligible?

It is defined as energy derived from: 1) wind, solar, renewable biomass, ocean, geothermal or hydroelectric source, or hydrogen derived from renewable biomass or water using an energy source described in paragraph 1. A green hydrogen system using water and solar would be eligible.

Are air source (air to air) heat pumps eligible under REAP?

Yes, they are eligible as an energy efficiency improvement project as long as they show energy savings per an energy audit. They are not eligible renewable energy systems because they do not derive energy from a renewable energy source as defined above.

Is historical energy consumption required for a renewable energy systems project?

No. A renewable energy system may be installed for new energy generation. For example to install a new geothermal system to heat and cool a newly constructed building. The project scores as energy generation versus energy replacement.

Are home based businesses eligible under REAP?

No. The statute does not allow for residential benefit under REAP. It is not feasible to accurately measure electrical load contributions of in-home businesses and therefore they are not eligible for REAP.

Are apartment complexes, multi-family residential living units, rental houses, farm labor housing, or owner-occupied B&Bs/airbnbs/VRBOs eligible for REAP?

No, owners of these types of facilities are not able to utilize REAP for these operations because they are considered residential, meaning someone lives on the property for other than a short term stay. In addition an eligible REAP applicant cannot remote net meter or credit energy to these types of residential businesses.

Please explain how applications are viewed when a renewable energy system will be installed at a location with a shared residential meter (e.g. a farmstead with one meter to power both the house and ag production operation)?

For RES projects that involve a shared meter with a residence, the project is only eligible if at least 50 percent of the projected renewable energy to be generated will benefit the business operation. The calculation is made using total historical energy consumption documented via utility bills, removing residential energy use documented via home energy use calculation, and the projected amount of renewable energy to be generated. The total project cost and grant amount is prorated to the percent benefiting the business. Alternatively, a new meter may be installed to ensure the new renewable energy generation will only benefit the business operation. Note, this provision does not apply to energy efficiency improvement applications given the energy audit identifies with supporting calculations the historical energy consumption of business based efficiency improvements.

Are lease to own or capitalized leases eligible?

No. The REAP applicant must fully own and operate the REAP project and a lease of this nature would encumber such ownership.

What is required for site control?

REAP applicants must have control of the project site for the useful life of the project. If the applicant does not own the site and non-severable equipment or improvements are being proposed, a long term lease between the REAP applicant and the site owner will be required.

When can an applicant incur costs or start construction of a REAP project?

Incurring costs prior to award announcement is at the applicant's own risk. REAP requires the submission of a complete application and only post application costs are eligible under the program. Please note that submission of an application does not automatically equate to having a complete application on file, please contact your State Energy Coordinator for confirmation of a complete application. Furthermore, all projects require an environmental review and construction activities may jeopardize successful completion of this review. Applicants should not begin construction activities until the Agency has advised that the environmental review is complete.

Use of Funds

Is the purchase of land eligible under REAP?

With restrictions, land is an eligible use of funds under the REAP guaranteed loan program. The purchase of land is not an eligible use of funds under the REAP grant program.

What types of fees can be considered as eligible project costs?

An interconnection fee, a licensing or relicensing fee, or a permit fee directly related to the project that is incurred after the complete application date would be considered as an eligible fee. Eligible project costs are incurred after the date a complete application has been filed and therefore energy audit, engineering or feasibility study fees are not eligible.

What happens if final total project costs differ from the initial costs proposed in the grant application?

The grant amount is based on total project costs filed at the time of application and cannot be increased if costs increase. If costs are reduced the grant amount may be reduced accordingly to ensure compliance with statutory funding requirements.

Can REAP fund the cost of roofs upon which solar systems will be installed?

Eligible project costs must be directly related to and used for installation of a renewable energy system or energy efficiency improvement. Costs that would be incurred regardless of the RES or EEI installation are not eligible. Therefore if an existing roof requires improvements to structurally support the solar panels the costs could be included. However, if building an entirely new building upon which solar will be installed, the cost of the roof should not be included as it would have been incurred regardless of the installation of solar. The purchase and installation of a carport used as

an elevated support structure for an agrivoltaic or solar EV charging station project would be eligible.

Does the Build America, Buy America Act (BABAA) apply to REAP grants for system installations?

BABAA applies only when: 1) the project is for a non-Federal entity, defined as: a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a recipient or subrecipient; 2) the project is for infrastructure; and 3) the project involves construction.

Do Davis Bacon wage rates apply to REAP?

No.

Application Requirements

Is a feasibility study required for all renewable energy system projects?

A feasibility study is not required for all renewable energy system projects and the requirement is no longer tied to the total project cost, but rather, to the risk of the project. For example most solar PV installations are low risk and do not require a feasibility study whereas a biomass waste to energy project with complex considerations, may warrant a feasibility study. Please visit with your State Energy Coordinator about the proposed project to determine the need for a feasibility study. The applicant is responsible for the cost of the feasibility study if required.

Is registration in the System for Award Management (SAM) required for all REAP applicants at application submission?

The applicant entity must be successfully registered in the SAM and provide a Unique Entity Identification (UEI) Number to the Agency at time of application. The UEI replaces the CAGE code which is no longer required. Start the SAM registration process as soon as possible. If unsuccessful and the applicant provides the Agency with documentation of attempts to complete the SAM registration and obtain the UEI prior to the application deadline, the Agency may accept the application. Under no circumstances will funds be disbursed without active SAM registration and a UEI.

Are all EEI projects required to have an energy assessment or audit regardless of the cost of the project?

Yes, to be eligible an energy efficiency improvement project must show energy savings based on actual historical energy consumption as outlined in an energy audit or energy assessment.

What is the applicant required to submit at time of application to satisfy the environmental review requirements?

The level of environmental review will vary depending on the proposed project activities and location. Please contact your State Energy Coordinator to discuss the NEPA process as it relates to your proposed project as soon as possible. At a minimum, a complete REAP application must contain sufficient environmental information as outlined on the environmental checklist. A completed NEPA review is not required at the time of application.

Where can I find REAP application requirements?

Please visit the TO APPLY tab of the [REAP website](#) for links to the program regulation and updated application forms. Please direct questions to your state energy coordinator.

Scoring

How do I know if my project is located in a disadvantaged or distressed community in order to receive points?

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>. Instructions appear on the righthand side of the map and a legend and layer list are located in the upper righthand corner of the map.

Will projects that “reduce” GHGE get a portion of the 5 environmental benefits points available for projects that do not produce greenhouse gases at the project level?

No, partial points will not be applied. To get the 5 points the project must not produce greenhouse gases at the project level.

Is there a limit to the amount of renewable energy a system can produce in relation to the current amount of energy used?

There is no limit for project eligibility, however projects proposing to replace one-hundred fifty percent or greater of their existing energy consumption are scored as energy generation projects versus energy replacement.

Is there any priority given to completely off-grid systems?

Off-grid systems are eligible for the program but there is no priority given.

What is the underutilized renewable energy technology set-aside?

It is a set-aside pool of funds used to award applications where the proposed technology meets the annual definition of underutilized renewable energy technology. A technology that does not meet the definition may still be eligible for REAP, but the application would not compete in this additional set-aside pool of funds.

How is underutilized renewable energy technology defined?

Underutilized renewable energy technology is defined as renewable energy technologies that do not produce greenhouse gases at the project level, and which make up less than 20 percent of the total grant dollars obligated at the end of the fiscal year, two years previous to the current year. For example, FY 2021 award data will be utilized to determine which technologies are underutilized for the FY 2023 competitions. The Agency will post underutilized technology information on the REAP website each year. No action is required by the applicant as the Agency will automatically consider eligible projects for this set-aside.

Are applications prioritized by application date?

Complete applications are considered for funding in the next available funding competition. Applications compete for funds on their total project score. The application date does not prioritize the project, though applications submitted earlier within the fiscal year will have more opportunities to compete for funds. Applications unfunded in a quarter will automatically compete in the next available funding competition. Any application that remains unfunded at the end of the fiscal year (September 30) must be withdrawn.

Does the scoring criteria still include points for applicants that have not received a previous REAP award?

Yes, applicants that have never received a previous REAP grant or guaranteed loan will be awarded 15 points. Applicants that received an award more than two fiscal years ago will receive 5 points. If an award was received within the last two previous fiscal years, 0 points will be awarded.

Is there a minimum score?

There is no minimum score at this time for REAP RES/EEI projects.

Can we estimate the amount of energy that a renewable energy system will replace?

No renewable energy system projects can only be scored as replacement if the applicant entity has actual historical energy consumption for the most recent twelve to sixty months, estimates (including projected future energy consumption) are not allowed. Renewable energy projects that cannot be scored as replacement will be scored as energy generation projects.