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Dear **Variable**:

Letter of Conditions
Rural Energy for America Program
Renewable Energy System **variable** or Energy Efficiency Improvements

We are pleased to inform you that your organization's application for a Fiscal Year 2025 Rural Energy for America Program (REAP) grant has been selected for funding. This letter establishes conditions which must be understood and agreed to by your organization before further consideration can be given to the application. The grant will be administered on behalf of the Rural Business-Cooperative Service (Agency) by the State staff of United States Department of Agriculture (USDA), Rural Development. All terms and conditions outlined in 7 CFR Section 4280 Subpart B and the Notice Of Funding Opportunity published in the Federal Register October 16, 2024 (Vol. 89 No. 200).

This letter does not constitute grant approval, nor does it ensure that funds are or will be available for the project. Please refrain from making any announcements regarding these awards as this will be done by the Secretary at a later date. No notification should be made to the congressional staff or media; that will be done at the time of formal announcement by USDA.

(As applicable) The guaranteed loan portion of your organization's award will be processed through the lender stipulated in the application.

Any changes in project cost, source of funds, scope of services, or any other significant changes in the project or applicant, must be reported to and approved by the Agency, by written amendment to this letter. If significant changes are made without obtaining such approval, the Agency may discontinue processing the application.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," and Form RD 1940-1, "Request for Obligation of Funds," within 30 days of the date of this letter (OR INSERT DATE), if you desire that further consideration be given to your organization's application.

You must meet all of the terms and conditions of this letter and sign and return the Financial Assistance Agreement within 6 months of the date of this letter. RBS reserves the right to withdraw the award if the grant cannot be approved within the 6 month timeframe. An executed copy of the Financial Assistance Agreement with both parties' signatures will be sent to you.

The docket may be completed based on the following:

1. **PROJECT FUNDS:** Grant funds will be used for the purchase and installation of **variable**. The use of funds must comply with the grant application project budget. Any revisions in this financing plan must have the Agency concurrence. All documented funding must total the project amount. Grantee must maintain all receipts and other documentation for all transactions where grant and matching funds are used for the project cost and provide copies to the Agency.
2. **GRANT AMOUNT:** The application may be completed based on a grant not to exceed **\$variable**. It should be noted that grant funds will be used only for eligible costs as identified in RD Instruction 4280-B. The grant will not exceed **50** percent of the total eligible project costs. In the event the money from other sources is more than estimated in the financing plan, or the bids are different than estimated, the Agency reserves the right to recalculate its funding. After paying for all authorized costs, any remaining REAP grant funds will be refunded to the Agency. Any grant funds remaining more than 180 days after construction is substantially complete may be de-obligated by the Agency.
3. **MATCHING FUNDS/PROJECT FUNDS:** Your organization will be required to contribute at least **\$variable** from other resources. Written evidence of Matching Funds and other funds needed to complete the project must be provided to the Agency before execution of the Financial Assistance Agreement and must be in effect (i.e., must not have expired) at the time Financial Assistance Agreement is executed. A firm commitment must be verified through a Construction Note, Letter of Commitment, or documented equity capital. The applicant contribution will be the first funds expended on a project.

Without specific statutory authority, other Federal grants cannot be used to meet the matching fund requirement.

A verification of other federal awards and/or benefits for the same project will be completed before approval of an RBCS grant or loan award. Based upon the information submitted in the application, no other federal funds will be used to finance the project. To ensure a duplication of assistance does not or will not occur, notification will be made by the Grantee to Rural Development if other federal awards are pending, or have been received for this project.

(If applicable) The Grantee must execute a Conditional Commitment on the REAP Guaranteed Loan portion of this combination funding package and must ultimately close on the REAP Guaranteed Loan as approved by the Agency. Failure to close on the approved REAP Guaranteed Loan as part of this funding package will constitute unauthorized use of grant funds and will require a total refund of all grant funds to the Agency.

4. **(If applicable) CONFLICT OF INTEREST:** No conflict of interest or appearance of conflict of interest will be allowed. Payment in excess of actual costs (e.g., profit, overhead, indirect costs, and wages to owners) incurred by the contractor or other service provider on a contract or agreement that has been entered into at less than an arm's length transaction has potential for a conflict of interest. In situations where there is common ownership or an otherwise closely-related company is being paid to do construction or installation work for an applicant, only documented costs associated with

the construction or installation can be paid with grant and matching funds and cannot include any profit or wages to such related individual or entity.

5. **PROJECT OWNERSHIP:** As required in 7 CFR 4280.112(b) grantees must own the project and own, or control, the project site at the time of application and maintain ownership for its useful life. If the grantee does not maintain ownership of the project and ownership or control of the site, then grant funds may be recovered from the grantee by the Agency in accordance with Departmental Regulations.
6. **CERTIFICATIONS:** The Grantee will be required to complete the following certification:
 - a) **(If grant is over \$100,000)** RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans," acknowledging your organization is prohibited from influencing or attempting to influence an officer or employee of any Agency, any member of Congress, or an employee or officer of any member of Congress to obtain specific Federal awards. If the grantee has made or agreed to make payment to influence or attempt to influence a decision in connection with this award, please contact the Agency to complete Form SF-LLL, "Disclosure of Lobbying Activities."
7. **EQUAL OPPORTUNITY AND NONDISCRIMINATION REQUIREMENTS:** The Grantee will comply with Title VI of the Civil Rights Act of 1964, "Nondiscrimination in Federally Assisted Programs, "42 U.S.C. 2004d4, Section 504 of the Rehabilitation Act for Federally Conducted Programs and Activities, the Age Discrimination Act of 1975, and the Americans with Disabilities Act.

RD Form 400-4, "Assurance Agreement," must be signed by the Grantee.
8. **FINANCIAL ASSISTANCE AGREEMENT:** Form RD 4280-2, "Rural Business-Cooperative Service Financial Assistance Agreement," is attached for your convenience and describes all sites being improved, and all equipment being purchased with grant funds.
9. **(As applicable) TITLE TO PROPERTY:** Sites for the renewable energy system or energy efficiency improvement projects must be controlled by the Grantee. Satisfactory evidence of title to property must be supplied to the Agency for the location of the project. This may include but is not limited to copies of tax statements, existing title insurance policies, deeds, etc.
10. **(As applicable) POWER PURCHASE AGREEMENT:** Where applicable, the Grantee shall provide to the Agency a copy of the executed power purchase agreement within 12 months from the date that the Financial Assistance Agreement is executed, unless otherwise approved by the Agency. The Agreement must document a minimum purchase price or pricing structure which will create a financially sustainable project. The Agency retains the right to request a review and opinion from your organization's attorney.
11. **INSURANCE:** Insurance coverage will be submitted for the Agency review and concurrence prior to the start of construction. The owner and the contractor(s) must carry adequate insurance on the following:
 - a) Property Coverage,

- b) Liability Coverage,
 - c) National flood insurance per 7 CFR part 1806, subpart B, as applicable,
 - d) Business Interruption Insurance (for projects exceeding \$200,000 in total project costs).
12. **BUSINESS OPERATION, ACCOUNTS AND RECORDS:** Grantee agrees to maintain financial management and records as follows:
- a) Accurate, current, and complete disclosure of the financial results of each grant.
 - b) Records that identify adequately the source and application of funds for grant-supported activities, together with documentation to support the records.
 - c) Effective control over and accountability for all funds.
 - d) Retain financial records, supporting documentation, and all records pertinent to the grant for a period of at least three (3) years after completion of grant activities.
13. **CONSTRUCTION PLANNING AND PERFORMING DEVELOPMENT:** Grantee is responsible for providing the engineering, architectural, and environmental services necessary for planning, designing, bidding, contracting, inspecting, and constructing their facilities. Engineers and architects must be licensed in the State where the project is to be constructed.

The requirements of RD Instruction 4280-B, §4280.125 apply for planning, designing, bidding, contracting, and constructing renewable energy systems and energy efficiency improvement projects must be executed as applicable.

For projects with total project costs of \$200,000 or less, the applicant is solely responsible for the execution of all contracts and the Agency review and approval is not required.

(As applicable) For projects with total project costs of \$200,000 and greater the technical service and procurement documents must be approved by the Agency.

(As applicable for projects with total project costs greater than \$1,000,000) The design, installation, monitoring, testing prior to commercial operation, and project completion certification must be completed by a licensed professional engineer (PE) or team of licensed PE's.

(As applicable for projects with total project costs of \$200,000 and greater) Unless a lump sum reimbursement of grant funds will be requested at the end of construction and 30 days of successful operation, regardless of total project costs, final plans and specifications must be reviewed by the Agency and approved prior to the start of the construction.

(As Applicable) Projects proposing to be constructed using contract methods must comply with RD Instruction 4280.125(e).

(As Applicable) Projects involving procurement must comply with RD Instruction 4280.125(f).

Grantee will comply with the applicable procurement requirements of 2 CFR part 200 regarding standards of conduct, open and free competition, access to contractor records and equal employment opportunity requirements.

For construction contracts in excess of \$100,000, Grantee agrees to have each contractor or vendor execute RD Instruction 1940-Q Exhibit A-1, "Certification for Contracts, Grants and Loans," acknowledging they are prohibited from influencing or attempting to influence an officer or employee of any Agency, any member of Congress, or an employee or officer of any member of Congress to obtain specific Federal awards.

If the contractor has made or agreed to make payment to influence or attempt to influence a decision in connection with this award, please contact the Agency to obtain Form SF-LLL, "Disclosure of Lobbying Activities," for the contractor to complete.

In some instances, Grantees may wish to perform a part of the work themselves. Grantees may accomplish construction by using their own personnel and equipment, provided the Grantee possesses the necessary skills, abilities, and resources to perform the work and there is not a negative impact to their business operation. Conditions for a Grantee to provide a portion of the work with the remainder to be completed by a contractor are:

- a) A clear understanding of the division of work must be established and delineated in the contract,
- b) Grantees are not eligible for payment for their own work,
- c) Warranty requirements applicable to the technology must cover the Grantee's work, and
- d) Inspection and acceptance of the Grantee's work must be completed by either:
 - i. An inspector that will inspect as applicable and accept construction, and furnish inspection reports, or
 - ii. A licensed engineer that will prepare design drawings and specifications, inspect as applicable and accept construction, and furnish inspection reports.

Upon completion of the project, the Grantee must submit to the Agency a copy of the contractor's certification of final completion for the project and a statement that the Grantee accepts the work completed. At its discretion, the Agency may require the Applicant to have an Inspector certify that the project is constructed and installed correctly.

Prior to making payment the Grantee must provide the Agency with Form 1924-9, "Certificate of Contractor's Release" and Form RD 1924-10, "Release by Claimants," or similar forms, executed by all persons who furnished materials or labor in connection with the contract.

SURETY (Modify Surety and Exemption Language as Applicable to Project)

Grantee will, for construction contracts in excess of \$100,000, provide performance and payment bonds for 100 percent of the contract price, unless otherwise specified in 7

CFR part 4280, subpart B, §4280.125. Surety may be provided using either a bank letter of credit or performance bonds and payment bonds. Cash deposit in escrow of at least 50 percent of the contract amount is required.

The Agency may make exceptions to surety if 4280.125 (a)(3)(iv):

- a) Small acquisition and construction procedures as specified in 4280.119 (c) and (d) or 4280.120 (c) and (d) as applicable are used.
- b) The proposed project is for equipment purchase and installation only and the contract costs for the equipment purchase and installation are \$200,000 or less.
- c) The proposed project is for equipment purchase and installation only and the contract costs for the equipment purchase and installation are more than \$200,000 and the following requirements can be met:
 - i. The project involves two or fewer subcontractors, and
 - ii. The equipment manufacturer or provider must act as the general contractor
- d) Construction projects that only have one contractor performing the work.

When surety is not provided, contractors must furnish evidence of payment in full for all materials, labor, and any other items.

14. **GRANT DISBURSEMENT:** Unless extended by the Agency, the period of performance will encompass twenty-four months after the date the Agency signs the Financial Assistance Agreement. If an extension is needed, Grantees must submit a written request for a no-cost extension no later than 30 days before the two-year anniversary of executing the Financial Assistance Agreement, describing the extenuating circumstances that were beyond their control to complete the project, and why approval is in the government's best interest. Extension requests cannot exceed a period of twenty-four months. Grant funds not expended within the twenty-four months or approved extended timeframe, will be returned to the Agency.

(Applicable to projects with total project costs of less than \$200,000) The REAP project must be constructed, installed, and operating as described in the technical report prior to disbursement of funds. For Renewable Energy System projects, the system must be operating at the steady state operating level described in the technical report for a period of not less than 30 days **(modify as needed past 30 days per review of technical report)**, prior to disbursement of funds.

(For projects with total project costs of \$200,000 or greater) Unless authorized by the Agency to do so, requests for reimbursement may be submitted no more frequently than monthly. Ordinarily, payment will be made within 30 days after receipt of a proper request for reimbursement. The final 10 percent of grant funds will be held until construction of the project is completed, operational and has met or exceeded the test run requirements as established in the application. In addition, the Agency reserves the right to request additional information or testing if upon a final site visit the 30-day steady state operating level is not found acceptable to the Agency.

Grantees must not request reimbursement for the Federal share of amounts withheld from contractors to ensure satisfactory completion of work until after it makes those payments.

Grant funds will be transferred to the Grantee via Electronic Funds Transfer (EFT). The Grantee will complete and deliver to Agency, Form SF-3881, "ACH Vendor/Miscellaneous Payment Enrollment Form."

Standard Form SF-271, "Request for Advance or Reimbursement," shall be used to request Grant reimbursements. Payment shall be certified by copies of the manufacturer's paid invoices.

(As applicable) For combination grant and guaranteed loans, the loan note guarantee for the guaranteed loan must be executed prior to the advancement of grant funds.

15. **REPORTING REQUIREMENTS:** Grantees shall constantly monitor performance to ensure that the time schedules are being met and projected goals by time periods are being accomplished. See the Financial Assistance Agreement for the complete detailed requirements.

- a) Form SF-425, "Federal Financial Report" and a Project Performance Report will be required on a semi-annual basis between grant approval and the completion of the project. The reports are due 30 working days after June 30 and December 31 of each year.

The Federal Financial Report must show how grant and leveraged funds have been used to date, and project funds needed, and their purposes for the next semi-annual period. A final report may serve as the last semi-annual report. A copy of the SF-425 is attached.

The semi-annual project performance report must include accomplishments towards objectives or reasons why objectives were not met, and provide objectives and timetables for the next reporting period.

A Semi-Annual Project Performance Report is attached for your information.

- b) A final project development report will be provided by the Grantee, including a detailed project funding and expense summary and a summary of the project's installation/construction process, including recommendations for development of similar projects by future Applicants to the program.
- c) After construction, the grantee must provide the Agency via form RD 4280-3D "Annual Outcome Project Performance Certification," a certification that their system has in the past year performed at the steady operating level as described in the technical report of their application, and whether projected jobs created or saved have occurred, or certify that it has not performed as described. If it has not performed, a description of the circumstances which have occurred and affected system performance must be reported, along with that actual performance of the subject REAP project, and the actual number of jobs created or saved as a direct result of the REAP project. Renewable Energy System project Grantees will provide a certification or report for each of three (3) years commencing the first full calendar year following the year in which the project construction was completed. Energy Efficiency Improvement project Grantees will provide a certification or report for each of two (2) years commencing the first full calendar year following the year in which

project construction was completed. An “ Annual Outcome Project Performance Certification” is attached for your information.

16. **ENVIRONMENTAL:** The environmental assessment and supporting documentation have been reviewed and found to be in acceptable compliance with the Agency regulations, as such, the environmental assessment is approved.
17. **SYSTEM FOR AWARD MANAGEMENT (SAM):** **(As applicable)** Prior to grant disbursement the grantee must provide the Agency their SAM Unique Entity Identification (UEI). The UEI must be registered in SAM and the status must be Active.

Your organization must maintain a current account registration in the System for Award Management at www.sam.gov until final disbursement.

18. **OTHER REQUIREMENTS:**

(Delete for renewable energy system projects where not applicable. Chose option A or B accordingly when applicable.) The application proposed installation of a renewable energy system on a site where a residence is closely associated. The Grantee:

- A) will install a second meter that results in all the project’s projected energy to be used for non-residential use
- OR
- B) has provided documentation that demonstrates at least 51% or more of the project’s projected energy will benefit the Rural Small Business or Agricultural Operation. Total eligible project costs and the maximum grant amount have been adjusted accordingly as noted in the project funds and grant amount sections of this document.

The Grantee will be responsible for any additional requirements of federal, state, or local governments that may apply in accordance with 7 CFR 4280 Part B. All requirements and permits of the governing agencies will be followed for any activities related to the project.

The above conditions are based on the proposed use of funds as outlined in the financing arrangements as stated. The conditions as stated may be modified if the scope or cost of the Project is changed or the financial arrangements are adjusted. Any change or modification of the conditions of the Project must have prior approval by Agency.

The Grantee will follow the requirements in the Letter of Conditions and the Financial Assistance Agreement. No further processing will occur on this application until the attached Forms RD 1942-46 and 1940-1 are signed and returned. Documents must be returned to **XXXX** at **XXXX**, for further information please call **XXXX**.

Sincerely,

Title

Enclosures:

-Form RD 1942-46, “Letter of Intent to Meet Conditions”

- Form RD 1940-1, "Request for Obligation of Funds"
- Form RD 4280-2, "Rural Business-Cooperative Service Financial Assistance Agreement"
- RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans"
- Form RD 400-4, "Assurance Agreement"
- Form RD 1924-9, "Certificate of Contractor's Release"
- Form RD 1924-10, "Release by Claimants"
- Form SF-271, "Request for Advance or Reimbursement"
- Form SF-3881, "ACH Vendor/Miscellaneous Payment enrollment Form"
- Form SF-425, "Federal Financial Report"
- Semi-Annual Project Performance Report
- Form RD 4280-3D, "Annual Outcome Project Performance Certification"