PPAs under New ERA:

Clean energy can be purchased through a Power Purchase Agreement (PPA) under the New ERA program pursuant to the following:

What is eligible/what are the guidelines?

- Any new eligible (under the New ERA program), clean energy PPA executed after August 16, 2022 (the date of IRA enactment) for power from an operational clean energy asset is eligible as well as support for PPAs for assets that have not commenced construction before August 16, 2022. In addition to when your PPA is executed and when the underlying asset commences construction, the following guidelines apply: a.) The PPA should add to your 2022 clean energy baseline; and b.) RUS funding through New ERA should clearly be incentivizing new clean energy use that was not already planned and underway.

- All RUS financed PPAs must add to an Applicants’ 2022 clean energy baseline and only reflect the purchase of 100 percent clean energy.

- RUS assistance for a PPA will only be provided to the Applicant (i.e., a rural electric cooperative).

- Applicants can include the cost of infrastructure related to the delivery and utilization of PPA purchased energy as part of their New ERA proposal.

- PPAs cannot include provisions that would use PPA payments toward the ultimate purchase of an asset (i.e., payments made cannot be credited for the purchase of an asset).

- There is no distinction between ownership and purchase of power when it comes to scoring LOIs for the New ERA program.

- RUS will not:
  - Fund PPAs for assets that have already started construction and for which there is an existing PPA.
  - Provide support for the purchase of power through a PPA that was executed and operational prior to the date of enactment.
  - Reimburse for costs incurred prior to obligation or for PPA exit fees.
  - Approve funding under this Notice that violates the terms of an Applicant’s existing wholesale power contract.
  - Provide support for the manipulation of existing PPAs that do not increase the use of clean power.

How will it work?

- Applicants can apply for a grant amount not to exceed 25 percent of the cost of the PPA. Grant only awards will be considered provided the Applicant has sufficient resources to cover the remaining 75 percent of the cost of the PPA. Alternatively, or in addition to a grant, Applicants can apply for a loan amount not to exceed 75 percent of the cost of the PPA.

- RUS assistance will be provided to fund a PPA for a term up to 20 years or the expiration date of the PPA, whichever is shorter, starting on the date of RUS obligation of funds.

- The PPA contract must include a best estimate of quantifiable price based on projected charges for capacity and/or energy for the term of the PPA. Should the PPA include a
range of charges for capacity and/or energy or quantity of capacity and/or energy available thereunder, the minimum amount will be used to calculate the net present value (NPV). RUS would calculate the NPV of the PPA assuming a 3 percent discount rate of the full projected payments under the PPA over the term of the PPA, not to exceed 20 years. PPAs will require a strong counterparty as determined by RUS, and the Applicant must demonstrate a lower cost of energy with the use of RUS assistance than they could have otherwise negotiated.

- The full amount of RUS assistance will be placed in a deposit account control agreement (DACA) at a Federal Deposit Insurance Corporation insured financial institution agreeable to RUS no sooner than the execution of a contract between RUS and the Applicant. Payments from the DACA shall be made on a recurring basis, such as quarterly, as negotiated with RUS for expenses to cover capacity and/or energy charges under the PPA. Reporting will be on an annual basis. Should the terms of the PPA not be met or actual use of energy and/or capacity be lower than the projected, the balance in the DACA will be returned to RUS or must be used for another eligible purpose, as approved by RUS.

- For system finance, security will be derived from the pledged value of the assets and revenues under the Applicant’s mortgage or indenture. For a Project Loan, security will be derived from the pledged value of assets and revenues of the proposed underlying asset (Portfolio of Actions) and may require additional credit support to ensure repayment.

- RUS will not finance pre-payments to developers but will release funds to Applicants for deposit into a DACA. With this, the Applicant can pay for the cost of power delivered over time.

- For purchased power where RUS is financing the purchase, and not the construction of an asset, the PPA would not be subject to the National Environmental Policy Act (NEPA). For NEPA to apply, there must be federal assistance in the construction of the energy facility/system. Where the RUS Applicant does not own the asset, NEPA would not ordinarily apply to the construction of the facility. Also, if the energy asset is already built, then NEPA and Build America, Buy America Act (BABAA) do not apply with respect to that facility. If the facility is not constructed; however, any funds from a government program that are “pre-paid” under a PPA or other instrument that would be used for construction might be subject to NEPA and BABAA review. This causal link is clear when the Applicant is a joint owner in the facilities to be built pursuant to a PPA regarding those facilities.

Can you give me some examples? Would New ERA PPA support apply IF:

- I have an existing wind PPA that expires in 2024. Can I use New ERA funding to extend the PPA or sign a new one?
  - You can sign a new PPA for this project if it expands the use of clean energy and the existing PPA definitively ends provided the application meets other requirements of the funding notice, such as creating consumer benefits.

- I signed a PPA in 2019 for a solar + battery project but construction has not commenced.
  - Yes, because construction has not started.
• I want to partner with a developer through a joint venture (JV) whereby they will develop a wind plan and we will be the sole off-taker of that power.
  o If the JV is not a co-op, then the JV is not eligible to borrow under New ERA.

• I want to purchase wind energy from an existing wind asset. I do not have a current PPA with the wind asset developers. The asset is already operational, and I would like to purchase power from it.
  o Yes, this is eligible. The agreement will be executed after the date of the enactment.

• I want to purchase new wind energy via a PPA from an asset that is expected to be completed in 2023. I will be the sole off-taker, but I will not own any of the project. I will just purchase the power.
  o Yes, it does not matter when the asset is completed or when it began, as long as it is a new PPA executed after August 16, 2022.