



United States
Department of
Agriculture

Rural Development



*Presented by
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Office of Operations
RUS Electric Program*

Rural Utilities Service - Electric Program

RUS Electric Program

Available Programs:

- Guaranteed Loan Program (Federal Financing Bank)
- Rural Energy Savings Program (Relending)
- Section 313a Guaranteed Underwriter Loans (Relending Financial Institutions)
- High Energy Cost Grants (Energy costs must be at least 275% above the national average. I am no aware of any entities in Virginia that would qualify.)

Guaranteed Loan Program

RUS Electric Program Makes Loans and Loan Guarantees to Finance:

- The construction and/or acquisition of electric distribution, transmission, and generation facilities, including system improvements and replacements to furnish and improve electric service in rural areas.
- Demand side management, energy efficiency and conservation programs, and on-grid and off-grid renewable energy systems, and smart grid investment.

Guaranteed Loan Program

Types of Eligible Borrowers:

- Corporations, states, territories, and subdivisions and agencies thereof; municipalities; people's utility districts; and cooperative, non-profit, limited-dividend, or mutual associations. *Pretty much any entity!*
- However, to be an eligible borrower the loan must provide or propose to provide:
 - The retail electric service needs of rural areas, or
 - The power supply needs of distribution borrowers under the terms of power supply arrangements satisfactory to RUS.

Guaranteed Loan Program

Rural Area means:

- (i) Any area of the United States, its territories and insular possessions...other than a city, town or unincorporated area that has a population greater than 20,000 inhabitants; and
- (ii) Any area within a service area of a borrower for which a borrower has outstanding loan as of June 18, 2008, made under titles I through V of the Rural Electrification Act of 1936 (7 U.S.C. 901-950bb).* For initial loans to a borrower made after June 18, 2008, the “rural” character of an area is determined at the time of the initial loan to furnish or improve service in the area.

* *Often referred to as “Once Rural, Always Rural.”*

Guaranteed Loan Program

Terms of Guaranteed FFB Loans:

- Interest rates established daily by United States Treasury. Interest rate is determined at time of each advance. 1/8 of 1% administrative fee added to base rate.
- Term of the loan is based on the useful life of the facilities being financed, with a maximum term of 35 years. Power supply borrowers'/generation loan term is also based on the term of its wholesale power contracts with members.

Smart Grid Investment

The RUS Electric Program has a \$5 billion loan budget for Fiscal Year 2019 for financing electrical infrastructure in rural areas, including smart grid initiatives.

- The Electric Program, thru the funding of:
 - Smart grid initiatives;
 - Communications facilities for energy management; and
 - Fiber to the meter for increased energy efficiency initiatives ...
- ...can aid in the **support and deployment of broadband** through the use of those facilities implemented for smart grid purposes.

Smart Grid Investment

The Financing Plan – Borrowers may seek a variety of financing options to assist in rural broadband deployment.

- The smart grid facilities, including related fiber networks and electronics, can be funded with RUS Electric Program funds through the regular application process
- For assets and facilities related directly to and used solely in the provision of non-smart grid related broadband services, borrowers should consider other funding sources, such as
 - Internally generated funding or equity
 - RUS Telecommunications Program
 - Private sources

Smart Grid Investment

The Business Plan – after the successful deployment of the borrowers smart grid network, how can facilities be leveraged to provide additional broadband services:

- **Cooperative provided services,**
 - Cooperative deployed, owned and operated smart grid/broadband system (in states where allowed)
 - Subsidiary provided services, leasing fiber backbone from cooperative and/or management and operations agreement
- **Partnerships...**with incumbent service providers,
 - Cable companies, telecommunications companies or cooperatives, other

Guaranteed Loan Program – System Loans

- Where RUS is typically able to finance 100% of the project costs included in the loan application. The amount or percentage of the financing may be limited due to the rural determination and other factors.
- Generally requires that the Borrower provide RUS with a 1st lien on all the Borrower's real and personal property. The lien shall be in the form of a mortgage. *This provides "Loan Security."*
- In certain cases, the Administrator may accept other forms of security such as a pledge of revenues.
- Administrator, at his or her discretion, may approve an indenture in lieu of a mortgage.
- Additional controls (on the Borrower's financial, investment and managerial activities) appear in the loan contract and mortgage.

Guaranteed Loan Program – Project Loans

- Loan funds used to finance the specific project with no lien on any other property.
- RUS can finance up to 75% of the total capitalized costs.
- The owner(s) of project must provide at least 25% equity.
- RUS will provide loan funds to finance the project in the total amount that does not exceed any one of the following:
 - 75% of the total capitalized cost of the project;
 - The total capitalized cost of the project minus both the project's equity contribution & other sources of capital financing (e.g., grant funds, loans for other lenders, etc.); or
 - **The rural percentage of the offtaker's service territory** (assuming the offtaker will receive 100% of the project's output).

Guaranteed Loan Program – Project Loans

- Borrower will need to establish and fund at least 2 separate reserve accounts.
 - An O&M Reserve in the amount equal to the O&M expenses that Borrower is expected to incur during the 1st year of operation.
 - A Debt Reserve Account in the amount equal to all principal and interest (P&I) that the Borrower would be required to pay for one year.
 - OLOA may require the establishment of other reserve accounts depending on the perceived risks of the project.
- Specific conditions or controls will be provided in the Commitment Letter to the Borrower.
- Additional controls (on the Borrower's financial, investment and managerial activities) appear in the loan documents negotiated & agreed upon between RUS and the Owner(s).

Rural Energy Savings Program (RESP)

Rural Energy Savings Program (RESP):

RESP is a relending program. RESP provides loans to entities that agree to make affordable loans to help consumers implement cost-effective, energy efficiency measures. Eligible activities include but are not limited to lighting upgrades, HVAC, Heat Pumps, Duct Sealing, Building Envelope Improvements, Door and Window Upgrades, Caulking and Weather Stripping, On and Off Grid Renewable Energy Systems. RESP borrower must be able to justify, to the satisfaction of the Administrator, that the proposed Energy efficiency measure is cost effective and the technology is commercially available.

Rural Energy Savings Program (RESP)

Eligibility to Participate in RESP:

- Eligible applicants under the RESP include current and former RUS borrowers, subsidiaries of current or former RUS borrowers, and entities that provide retail electric service needs in rural areas (must be eligible for Electric Program loans). If any of the current service area is rural, all of the service area is eligible.

Rural Energy Savings Program (RESP)

Terms of the RESP Loans:

- Up to 20 years at a 0% interest rate.
- Up to 5% interest rate for relending to end users qualified consumers, for up to 10 years.
- Up to 4% of the loan total may be used for startup costs.
- No more than 50% draw in any one year.
- Equipment/materials must be ATTACHED to a dwelling/building/property.

Rural Energy Savings Program (RESP)

A Notice of Funding Availability (NOFA) as published August 6, 2018. The application window will close September 30, 2019. Approximately \$100 million is available.



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USDA Rural Development is committed to the future of rural communities.