

ALTERNATIVE AND CLEAN ENERGY

Program Guidelines | January 2018



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Section I – Statement of Purpose

The Alternative and Clean Energy Program (the Program) provides financial assistance in the form of grant and loan funds that will be used by eligible applicants for the utilization, development and construction of alternative and clean energy projects in the commonwealth. The Program is administered jointly by the Department of Community and Economic Development (DCED) and the Department of Environmental Protection (DEP), under the direction of the Commonwealth Financing Authority.

Section II – Eligibility

A. Eligible Applicants

The following applicants are eligible for grants/loans:

1. **A Business** – a corporation, partnership, sole proprietorship, limited liability company, business trust, or other commercial entity approved by the Commonwealth Financing Authority. The term shall also include not-for-profit entities.
2. **An Economic Development Organization** – a nonprofit corporation or association whose purpose is the enhancement of economic conditions in their community.
3. **A Political Subdivision** – A municipality, county, or school district.

B. Eligible Project Costs

1. Funds may be used for any of the following **Clean Energy Project** costs:
 - a. Costs associated with the construction or renovation of a High Performance Building including: building construction costs; the acquisition of land and buildings, rights-of-way, and easements; the clearing and preparation of the land; planning, designing, and modeling work; registration and certification of the project; commissioning and enhanced verification of building performance. High performance building projects must meet or exceed National Green Building Standards (NGBS), Green Building Initiative (GBI) Green Globes – 3 Globes standards or United States Green Building Council (USGBC) LEED Gold standards.
 - b. The site preparation of a business park consisting exclusively of certified High Performance Buildings including: the construction of water and sewer lines, storm water systems, excavation, construction of access roads, parking facilities, pipelines, transformers and utility transmission lines, traffic control devices and engineering.
 - c. Installation of equipment for use by an eligible applicant to facilitate or improve energy conservation or energy efficiency (including but not limited to heating, lighting, and cooling equipment). Energy Star rated equipment is required if the type or class of equipment being installed is rated under the Energy Star Program (refer to www.energystar.gov). The Authority may participate in establishing pools of funding by leveraging investments from private sector financial institutions to help accomplish the CFA's energy conservation goals.

- d. Installation of an alternative energy system which produces energy from sources defined under the Alternative Energy Portfolio Standards Act of 2004 including but not limited to waste coal, biomass, wind energy, geothermal technologies, clean coal technologies, waste energy technologies, large-scale or low-impact hydro, biologically derived methane gas, fuel cells, coal mine methane, or by-products of the pulping and wood manufacturing process in a new or existing building.
- e. Replacement or enhancement of an existing energy system that utilizes nonrenewable energy with an energy system that utilizes alternative energy (as defined in 1d. of this section).
- f. Modification of the contract terms of an energy service project by a political subdivision pursuant to a new energy savings contract (ESCO) with a qualified provider under the Guaranteed Energy Savings Act (GESA) of 1996. The PA Department of General Services manages the GESA program for the commonwealth, and maintains a list of qualified providers on their website (dgs.pa.gov).
- g. Preparation of plans, specifications, studies, surveys, and energy audits necessary or incidental to facilitating or developing an eligible project. Engineering and design costs not to exceed 10% of the grant amount.
- h. Administrative costs of the applicant to administer a Program grant. Administrative costs include advertising and legal costs, as well as documented staff expenses. Administrative costs shall not exceed 2% of the Program grant or loan.

Ineligible cost include, but are not limited to fees for securing other financing, interest on borrowed funds, refinancing of existing debt, lobbying, fines, reparations and cost incurred prior to the approval of CFA financing.

2. Funds may be used for the construction or development of an **Alternative Energy Production Project** including:
 - a. A facility that produces or distributes energy from sources defined in the Alternative Energy Portfolio Standards Act of 2004 including but not limited to waste coal, biomass, wind energy, geothermal technologies, clean coal technologies, municipal solid waste energy technologies, large-scale or low-impact hydro, biologically derived methane gas, fuel cells, coal mine methane, or by-products of the pulping and wood manufacturing process.
 - b. A facility that manufactures or produces alternative fuels. The term “alternative fuels” shall include ethanol, biodiesel, compressed natural gas, liquefied natural gas or any other alternative fuel approved by the authority.
 - c. Compressed Natural Gas and Liquefied Natural Gas fueling stations, or equipment and infrastructure associated with dispensing the fuel.
 - d. A facility that manufactures or produces products, including component parts that provide alternative energy (as defined in subparagraph a. of this section) or alternative fuels (as defined in subparagraph b. of this section).
 - e. The purchase and installation of equipment used for the manufacturing of component parts of alternative energy or alternative fuel production systems.
 - f. A facility that manufactures or produces products, including component parts that improve energy efficiency or conserve energy.
 - g. A facility used for the research and development of technology to provide alternative energy sources or alternative fuels.

- h. A project for the development or enhancement of rail transportation systems that deliver alternative fuels or high efficiency locomotives.
- i. Preparation of plans, specifications, studies, and surveys, necessary or incidental to facilitating or developing an eligible project. Engineering and design costs not to exceed 10% of the grant amount.
- j. Administrative costs of the applicant to administer a Program grant. Administrative costs include advertising and legal costs, as well as documented staff expenses. Administrative costs shall not exceed 2% of the Program grant or loan.

Ineligible cost include, but are not limited to fees for securing other financing, interest on borrowed funds, refinancing of existing debt, lobbying, fines, reparations and cost incurred prior to the approval of CFA financing. Funds cannot be used for the purchase of compressed natural gas or liquefied natural gas vehicles or the conversion of vehicles to compressed natural gas or liquefied natural gas.

Section III – Program Requirements

A. Matching Funds Requirement

Matching funds means any new public or private investment in the proposed project made by an eligible applicant. Eligible applicants must provide evidence of a commitment of matching funds at the project site. The amount of the matching investment required must be at least \$1 for every \$1 of Program funds awarded by the CFA.

B. Other Requirements

1. Conflict of Interest Provision

An officer, director, or employee of an applicant who is a party to or has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant, and may not vote on action of the applicant concerning the project, nor participate in the deliberations of the applicant concerning the project.

2. Nondiscrimination

No assistance shall be awarded to an applicant under this program unless the applicant and the project user certify to the CFA that the applicant and project user shall not discriminate against any employee or against any person seeking employment by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the Pennsylvania Human Relations Act, which prohibits discrimination on the basis of race, color, religious creed, ancestry, age, sex, national origin, handicap, or disability, or in violation of any applicable federal laws. All contracts for work to be paid with program assistance must contain the commonwealth's official nondiscrimination clause.

3. Project Records

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The Authority requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the Authority, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

4. Pennsylvania Prevailing Wage Act

All or a portion of the construction work associated with the project may be subject to the Pennsylvania Prevailing Wage Act, as determined by the Pennsylvania Department of Labor & Industry. It is the responsibility of the funding recipient to ensure that the Pennsylvania Prevailing Wage Act is followed if applicable.

5. Proof of Notification

The applicant must provide proof that the county and host municipality or municipalities have been notified about the intended project.

6. Certification of Expenses

The applicant shall sign a payment request form certifying that the expenses were incurred and were in accordance with the scope of work approved by the CFA. In lieu of a formal project audit and prior to final closeout of the grant agreement, the applicant shall be required to submit copies of all canceled checks verifying the expenditure of the Alternative and Clean Energy Program proceeds. Bank statements may also be submitted if electronic payment of the expenditure occurred.

7. Guideline Provisions

The Alternative and Clean Energy Program guidelines may be modified or waived by the CFA unless otherwise required by law.

8. Post Construction Verification Requirement for High Performance Projects

- a. Upon substantial completion of project, applicant must submit a copy of credits submitted to USGBC, NGBS or GBI for review/ acceptance.
- b. Applicants for High Performance Building must submit final documentation that performance standards have been met, as follows:
 - (1) Verification of LEED or GBI Green Globes registration.
 - (2) Copy of LEED Certification and GBI Green Globes Certificate at project completion and final LEED or and GBI Green Globes Checklist.

C. Fees

The Commonwealth Financing Authority charges a \$100 non-refundable application fee for the Alternative and Clean Energy Program applications made payable to the *Commonwealth Financing Authority*. Application fee is due at the time of submission. There is a commitment fee on all approved loans. The commitment fee is 1% of all approved loan amounts, capped at \$10,000.

Section IV – Grants, Loans and Guarantees

A. Loans

1. Loan Amount

- a. The maximum amount of any loan for any alternative energy production or clean energy project shall not exceed \$5 million or 50% of the total project cost, whichever is less. The maximum loan amount for a geothermal system will not exceed \$3 per square foot of space to be served by the system or \$5 million, whichever is less. The CFA will consider loan requests over \$5 million for projects that will significantly impact the Authority's goals to leverage private sector investments and to encourage alternative energy production and energy conservation in the commonwealth.
- b. The maximum amount of any loan for a manufacturer of alternative and/or clean energy generation equipment or components shall not exceed \$40,000 for each new job projected to be created by the business within three years after approval of the loan. If the manufacturer fails to create the projected number of jobs within three years, the Authority may require the interest rate to be increased by 3% for the remaining term of the loan.
- c. All eligible applicants may apply for loans for eligible projects except that political subdivisions may not apply for Alternative Energy Production Projects as defined in Section II B, 2.
- d. Maximum loan for a High Performance Building shall not exceed \$5 million or 50% of the total eligible building construction/renovation costs, whichever is less. If the High Performance Building standards are not met within 180 days of completion of the initial independent verification report, the Authority will require the full amount of the loan to be repaid within 180 days after the CFA's formal notification to the borrower that the High Performance Building loan is due and payable.

2. Repayment Term

Loans may be amortized over a period not to exceed 25 years or the useful life of the asset, whichever is less and will be repaid over a period not to exceed 10 years. Loans for energy conservation or energy efficiency projects (including geothermal systems) as defined in Section II, B, 1, c of these guidelines will have a 10 year amortization.

3. Interest Rate

The interest rate for the loan will be fixed at the time of approval of the loan, and remain fixed for the duration of the repayment term. Interest rates are subject to change based on market conditions. The current interest rate for eligible projects is the 10-year Treasury plus 250 basis points. The interest rate will be updated on a quarterly basis. The rate will be set at the beginning of each quarter and based upon the average of the previous week 10-year Treasury. The current interest rate is posted on the dced.pa.gov/CFA website.

4. Security

All loans are to be secured by a lien on the asset financed. The Authority may require additional security as necessary, including but not limited to, a pledge of additional assets or securities or dedicated revenues.

B. Grants

1. The maximum amount of any grant for any alternative energy production or clean energy project shall not exceed \$2 million or 30% of the total project cost, whichever is less. The maximum grant/loan combination shall not exceed 50% of the total project cost. The CFA will consider grant requests over \$2 million for projects that will significantly impact the Authority's goal to leverage private investment and encourage alternative energy production and energy conservation in the commonwealth.
2. The maximum grant amount for Compressed Natural Gas (CNG) or Liquefied Natural Gas (LNG) fueling stations accessible to the public shall not exceed \$2,000,000 or 40% of the total project cost, whichever is less. The maximum grant amount for private CNG or LNG fueling stations shall not exceed \$2,000,000 or 25% of the total project cost, whichever is less.
3. The maximum amount of any grant for a manufacturer of alternative and/or clean energy generation equipment or components shall not exceed \$10,000 for every job projected to be created by the business within three years after approval of the grant. If the manufacturer fails to create the projected number of jobs, the Authority may require the full amount of the grant to be repaid.
4. The maximum grant amount for an Energy Savings Contract (ESCO) shall not exceed \$500,000.
5. Businesses and non-profit economic development organizations are eligible to apply for grants only for Alternative Energy Production Projects and Site Preparation Projects as defined in Section II B.1.b. of these guidelines. Political subdivisions are eligible to apply for grants only for Clean Energy Projects as defined in Section II B, 1.
6. The maximum grant amount for a High Performance Building is \$2 million or 10% of the total eligible building construction/renovation costs, whichever is less. If the High Performance Building standards are not met within 180 days of completion of the initial independent verification report, the Authority will require the full amount of the grant to be repaid within 60 days after the CFA's formal notification to the grantee that the grant reimbursement is due and payable.
7. The maximum amount for any grant that will be used solely for planning and feasibility studies shall not exceed 50% of the total cost of such planning or feasibility studies or \$175,000, whichever is less. Grants may be used to pay for any eligible project costs as defined in Section II of these guidelines.

Due to the significant energy savings and the brief pay back period associated with most energy conservation and energy efficiency projects as defined in Section II, B, 1, c. of these guidelines, the Authority will not approve grant requests for these projects.

C. Guarantee

The Authority may award grants to applicants that would serve as a guarantee for the financing in the project. The Guarantee is subject to the following conditions:

1. The grant will be in the form of a standby letter of credit and issued directly to the company/developer.
2. The grant funds may only be drawn upon in the event the company defaults on its financing and there is a deficiency in collateral for the lending institution to collect upon. The grant will pay up to 75% of the deficiency.
3. The term of the grant will not be more than 5 years.
4. The amount of the grant shall not exceed \$5 million.

Section V – Application Process

A. Application Procedures

To apply for funding, the applicant must submit the electronic on-line Department of Community and Economic Development Single Application for Assistance located at www.esa.dced.state.pa.us. Once submitted, please print nine (9) copies of the application, and send with the required supplemental information (please see Appendix I of these guidelines) via US Mail along with the signature page. Please reference the Web ID number on any documents sent with the signature page. Applications must be received at least 60 days prior to the next scheduled Authority meeting at which Alternative and Clean Energy program applications will be considered. An application review schedule for the Authority meetings can be found on the dced.pa.gov/CFA website.

B. Application Evaluation

All applications for financial assistance will be reviewed by the Department of Community and Economic Development and the Department of Environmental Protection under the direction of the CFA to determine eligibility and competitiveness of the proposed project. Projects will be evaluated using the appropriate criteria from the following list of evaluation criteria for the various types of eligible projects:

1. The level of non-CFA matching investment in the project. Increased consideration will be given to those projects that have a greater than 1 to 1 matching ratio.
2. The technical and financial feasibility of the project.
3. Energy savings generated or peak load reduced by the project.
4. Conventional energy displaced by the deployment of the alternative energy production project.
5. The amount of alternative energy or alternative fuels produced by the project.
6. Increased consideration will be given for the number and quality of the jobs to be created or preserved in Pennsylvania by the project.
7. The financial need of the project.
8. The capital efficiency of the project.
9. Project readiness.
10. The level to which the project exhibits principles of sound land and water use.
11. Environmental benefits arising from the project including the creation of allowances that can be used to facilitate additional economic development in the region.
12. The nation and state of origin of equipment/components used in the project. Increased consideration will be given to natural gas fueling facilities that provide public access.

C. Procedures for Accessing Funds

1. Upon approval of an application by the Authority, a commitment letter will be issued to the applicant explaining the terms and conditions of the loan or grant. The commitment letter must be signed and returned to the Authority within 45 days of the date of the commitment letter or the offer may be withdrawn by the Authority.
2. Following the acceptance of an offer by the applicant, a loan closing will be scheduled and, if applicable, a grant agreement will be sent to the applicant for execution. In the case of a grant and loan combination involving an unrelated private developer, the Authority will contract directly with the applicant for the grant funds and will enter into separate loan documents between the Authority and the private developer. The applicant shall obtain the services of a professional engineer or architect licensed in Pennsylvania who will certify to the Authority during construction that the expenses were incurred and were in accordance with the plans approved by the Authority. The Authority will release funds to the applicant at not less than 30-day intervals, with a maximum of twelve disbursements over the life of the project.

Section VI – Program Inquiries

Program inquiries should be directed to:

PA Department of Community and Economic Development
Center for Business Financing – CFA Programs Division
Alternative and Clean Energy Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

Telephone: (717) 787-6245
Fax: (717) 772-3581
E-mail: ra-dcedsitedvpt@pa.gov

These guidelines can also be accessed online at dced.pa.gov/CFA.

Appendix I – Supplemental Information

Alternative and Clean Energy Program

In addition to completing the Department of Community and Economic Development Single Application for Assistance, please include the following items when applying for a loan/grant under the Alternative and Clean Energy Program:

- Exhibit 1:** Provide a description of the project and project user which discusses all of the following: (a) a brief executive summary describing the project; (b) the specific location of the site and project characteristics, such as the total acreage and/or square footage of the project; (c) any characteristics of the area in which the site is located that demonstrate a need for economic development; (d) the historical and proposed use of the site; (e) the specific costs and improvements to be paid for with Program funds; (f) the experience of the project user, including a discussion of previous projects completed; (g) the estimated start and end dates of construction and projected in-service date and a statement about project readiness; (h) the number of construction jobs, spinoff jobs and net new full-time jobs to be created and/or preserved by the project; (i) a description of how the project will reduce reliance on conventional energy resources; (j) the estimated energy benefits, both energy generated and/or anticipated conventional energy displaced by the project and the method used to reach the estimates of each; (k) the estimated environmental benefits of the project such as tons of air emissions avoided (sulfur dioxide, ozone precursors, mercury, and CO₂ or other greenhouse gases), water consumption avoided, avoided waste products, and the method used to reach the estimate; (l) impacts on the availability and price of energy resources; (m) if the project will generate electricity, whether there are interconnection, net metering, and/or power purchase agreements in place; (n) the nation and state of origin of any equipment used in the alternative and clean energy project; (o) if the project is an energy savings contract, describe the financing details on the ESCO, including the anticipated length and the payback period; and (p) for compressed natural gas or liquefied natural gas fueling stations, include a statement of the projected usage of natural gas stated in gasoline or diesel equivalents accompanied by the methodology utilized and how the project will increase the use of domestic natural gas in this commonwealth.
- Exhibit 2:** Funding commitment letters from all other project funding sources, if applicable (including equity commitments). Letters should include the term, rate, and collateral conditions, and must be signed and dated.
- Exhibit 3:** A statement of the amount and type of assistance requested. If requesting a loan, a description of the proposed repayment terms.
- Exhibit 4:** Attach audited financial statements of the business, parent company, and any other proposed guarantors, if any, for the last three years of operation. Financial statements should include balance sheets, income statements, cash flow statements, and notes to financials. Start-up companies must provide three years projected financial statements. For public sector or non-profit applicants, provide the most recent audited financial statements of the applicant. Financial statements should include balance sheets, income statements, and notes to financials.

- Exhibit 5:** For loans, identify the collateral that will be offered to the CFA as security for the loan. If the proposed collateral is real estate, provide two completed as-is appraisals or one appraisal prepared by either a Member of American Institute of Real Estate Appraisers (MAI) or a PA State Certified Appraiser. The appraisals must be no more than six months old. If a personal guarantee is being offered as security, attach personal financial statements for the proposed guarantor and their spouse. The personal financial statements should not be more than six months old and must be signed.
- Exhibit 6:** A color-coded map or plot plan detailing the location of the project, overlaid with the corresponding zoning of the project area.
- Exhibit 7:** A statement as to the estimated cost of the project. The estimate must be prepared by an engineer, architect, or other qualified professional and should be accompanied where appropriate by copies of the signed bids/quotations, contractor estimates, or sales agreements that verify project cost estimates.
- Exhibit 8:** A projected cash flow analysis, which includes all expenses and revenues covering the period of fifteen years from project commencement.
- Exhibit 9:** A letter from the appropriate planning agency certifying that the proposed project is in compliance with the comprehensive land use plans and zoning and subdivision codes.
- Exhibit 10:** For compressed natural gas and liquefied natural gas fueling stations provide information on the fleet types, the number of vehicles, monthly compressed natural gas or liquefied natural gas use and associated expenses.
- Exhibit 11:** For public sector applicants, provide a resolution duly adopted by the applicant's governing board formally requesting the grant/loan, designating an official to execute all documents, describing briefly the project scope, and identifying the grant amount requested per year (see Appendix II for a Sample Resolution).
- Exhibit 12:** For High Performance Building applicants, provide a letter identifying the standards to be met. See sample letter Attachment I.

Send 9 copies of completed application with all supplemental information and attachments to:

PA Department of Community and Economic Development
Center for Business Financing – CFA Programs Division
Alternative and Clean Energy Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

If you have any questions on completing the application, please call the Center for Business Financing at (717) 787-6245.

Appendix II – Authorized Official Resolution

Be it RESOLVED, that the _____ (Name of Applicant) of _____ (Name of County) hereby request an Alternative and Clean Energy Program grant and/or a loan of \$ _____ at a _____ % rate and _____ year term from the Commonwealth Financing Authority to be used for _____.

Be it FURTHER RESOLVED, that the Applicant does hereby designate _____ (Name and Title) and _____ (Name and Title) as the official(s) to execute all documents and agreements between the _____ (Name of Applicant) and the Commonwealth Financing Authority to facilitate and assist in obtaining the requested grant/loan.

I, _____, duly qualified Secretary of the _____ (Name of Applicant), _____ (Name of County) _____, PA, hereby certify that the forgoing is a true and correct copy of a Resolution duly adopted by a majority vote of the _____ (Governing Body) at a regular meeting held _____ (Date) and said Resolution has been recorded in the Minutes of the _____ (Applicant) and remains in effect as of this date.

IN WITNESS THEREOF, I affix my hand and attach the seal of the _____ (Applicant), this ____ day of _____, 20____.

Name of Applicant

County

Secretary

ATTACHMENT I

[Applicant Letterhead]

Date
Applicant Name
Applicant Address
Applicant Address
Applicant City, PA, Zip Code

Project Name
Project Address
Project Address
Project City, PA, Zip Code

To the Board Members of the Commonwealth Financing Authority:

[**APPLICANT NAME**] is requesting financial assistance under the Commonwealth Financing Authority's (CFA) for a High Performance Building under the Alternative Clean Energy (ACE) Program. The [**PROJECT OR BUILDING NAME**] is located at [**ADDRESS**] in the Commonwealth of Pennsylvania, and will comply with all required CFA ACE program guidelines and will achieve one of the following standards or higher:

- USGBC LEED Gold
- GBI Green Globes, Three Globes
- NGBS Gold Certification

The [**APPLICANT NAME**] will utilize the [**NAME AND VERSION OF RATING SYSTEM**] in the design and construction of the building. We fully understand and agree with all terms and conditions of the Alternative Clean Energy Program, hereby acknowledging that if the above listed level of certification, or higher, is not achieved [**APPLICANT NAME**] will not receive CFA funding under this program.

Applicant Signature

Date