

RENEWABLE ENERGY PROGRAM GEOTHERMAL AND WIND PROJECTS

Program Guidelines | January 2018



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Section I – Statement of Purpose

The Renewable Energy Program (the Program) provides financial assistance in the form of grant and loan funds that will be used by eligible applicants to promote the use of alternative energy 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 (CFA).

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 include not-for-profit entities.
2. **An Economic Development Organization** – A non-profit corporation or association whose purpose is the enhancement of economic conditions in their community.
3. **Political Subdivision** – Includes municipalities, counties, and school districts.
4. **An Individual** – Any person who seeks to install a geothermal heating and cooling system in a dwelling they currently occupy as their primary residence.

B. Eligible Projects

1. Geothermal Technologies, including closed loop geothermal heat pump systems that use the ground, ground water and underground mine water as an energy source.
2. Wind Energy, including facilities to produce or distribute wind generated energy as well as manufacturing facilities for wind turbines and other energy components.

C. Eligible Uses of Funds

Funds may be used by the applicant to pay for any of the following project costs:

1. Acquisition of land and buildings, rights-of-way, and easements necessary to construct an eligible project.
2. The clearing and preparation of the land necessary to construct an eligible project.
3. Construction or renovation of a building that will be used to manufacture components of wind or geothermal energy systems.
4. The purchase and installation of equipment used for the manufacturing of geothermal or wind energy systems.
5. The purchase, installation, and construction of energy facilities that generate or distribute geothermal or wind energy.

6. Preparation of plans, specifications, studies, and surveys, necessary or incidental to determining the feasibility or practicability.
7. Permit fees.
8. Administrative costs of the applicant to administer a Program grant. Administrative costs include advertising, legal and audit costs, as well as documented staff expenses. Administrative costs shall not exceed 2% of the Program grant or loan.

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

Section III – Program Requirements

A. Matching Funds Requirement

Matching funds means any new public or private investment which complements 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 who 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 certifies that the applicant 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 grant funds 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. **Project Audit**

For projects receiving grant funds of \$100,000 or more, an audit from a Certified Public Accountant (CPA) licensed in Pennsylvania listing all project costs must be submitted to DCED within 90 days after expiration of the grant. A statement shall be made certifying that commonwealth funds were disbursed in accordance with the terms of the grant agreement.

7. **Guideline Provisions**

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

C. Fees

The Commonwealth Financing Authority Charges a \$100 non-refundable application fee for Renewable Energy Program applications. Application fee is due at the time of submission. There is a commitment fee of 1% of all approved loan amounts capped at \$10,000.

Section IV – Grant, Loan and Guarantees

A. Loans

1. **Loan Amount**

- a. The maximum amount of any loan for a component manufacturer of renewable energy generation equipment shall not exceed \$40,000 for every new job projected to be created by the business within three years after approval of the loan.
- b. The maximum loan amount for a geothermal system will not exceed \$3 per square foot of the space to be served by the system or \$5 million, whichever is less. However, the maximum loan amount to an individual for a residential system may not exceed 50% of the eligible project cost.
- c. The maximum loan amount for a wind energy generation or distribution project shall not exceed \$5 million.

2. **Repayment Term** – Loans will be repaid over a period not to exceed 10 years for equipment (including a geothermal system) and 15 years for real estate.

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. Contact DCED for the current interest rate.

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 a component manufacturer of renewable energy generation equipment shall not exceed \$5,000 for every job projected to be created by the business within three years after approval of the grant. If the component manufacturer fails to create the projected number of jobs, the Authority may require the full amount of the grant to be repaid.
2. The maximum grant amount for a wind energy generation or distribution project shall not exceed \$1 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 \$1 million for projects that will significantly impact the Authority's goal to leverage private investment and encourage alternative energy production and conservation in the commonwealth.
3. The maximum amount for any grant that will be used solely for planning or feasibility studies shall not exceed 50% of the total cost of the planning project 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 brief pay back period associated with geothermal systems, the Authority is not approving grant requests for installation of geothermal systems.

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 Renewable Energy Program applications will be considered. An application review schedule for the Authority meetings can be found on the dced.pa.gov 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 comprehensive 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. The amount of alternative energy produced by the project.
5. Increased consideration will be given to the number and quality of the jobs to be created or preserved by the project.
6. The financial need of the project.
7. Project readiness.
8. The level to which the project exhibits principals of sound land and water use.
9. Environmental benefits arising from the project including the creation of allowances that can be used to facilitate additional economic development in the region.
10. The nation and state of origin of equipment/components used in the project.

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 – Site Development Division
Renewable 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

Appendix I – Supplemental Information

Renewable 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 Renewable 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; (h) the number of net new full-time jobs to be created and/or preserved by the project; (i) a description of how the project will reduce the Commonwealth's reliance on conventional energy resources; (j) the estimated energy benefits and the method used to reach the estimate including MWh generated, MWh saved, or peak MW saved; (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 including the reduction of grid congestion; and (m) if the project will generate electricity, whether there are interconnection, net metering and/or power purchase agreements in place.
- 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. For individuals, provide the most recent two years of federal tax returns.
- 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 time from project commencement through full repayment of the loan.
- 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 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).**

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

PA Department of Community and Economic Development
Center for Business Financing - Site Development Division
Renewable 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 a Renewable 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