

**RURAL ENERGY FOR AMERICA PROGRAM
REGULATORY IMPACT ANALYSIS**

The following regulatory impact analysis (RIA) is provided to fulfill the requirements of Executive Order 12866 and in accordance with the guidance provided in OMB Circular A-4. This RIA consists of an introduction, a summary of the major changes, a statement of need for the final rule, a discussion of the current provisions ~~of the interim rule~~ for the Rural Energy for America Program (REAP) and how the final rule ~~would change~~ changes those provisions, and an analysis of the benefits and costs of the changes.

1. Introduction

Both Congress and the Administration have set goals and provided funding for the development and increased use of renewable energy. By 2035, the Administration has committed to the goal of generating 80 percent of our electricity from a diverse set of clean energy sources.¹

~~To correct for market failure in the development and implementation of clean, renewable energy technologies and to promote rural economic development, Congress authorizes the Administration to support renewable energy manufacturers and developers to fund cutting edge research and development (R&D)~~

¹ President O’Bama, 2011 State of the Union. “So tonight, I challenge you to join me in setting a new goal: by 2035, 80% of America’s electricity will come from clean energy sources. Some folks want wind and solar. Others want nuclear, clean coal, and natural gas. To meet this goal, we will need them all...”

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~~and to modernize rural energy infrastructure using grant and loan programs.~~

~~The development of new cutting edge technologies in renewable energy will be underfunded if left entirely to the private sector, because the value of the public good aspects of new technologies cannot fully be captured by the developer of that technology. It is for that reason the public investments in basic development of renewable energy technologies are necessary. In addition, the value of limiting greenhouse gas (GHG) emissions through the development and adoption of renewable energy technologies cannot be captured by the private sector because there currently is no market for mitigating GHG emissions.~~

~~Within Title IX of the~~ Energy, of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill), Congress amended the Farm Security and Rural Investment Act of 2002, in part, by adding 12 new sections addressing renewable energy to ~~section 9001~~Title IX. Ten of these sections directly support the production of bioenergy, with the majority supporting liquid biofuels either exclusively or, as with the REAP, as a part of a broader program in support of ~~nine categories of~~ renewable energy projects and energy efficiency. Some of the Title IX sections focus support on existing commercial biofuels production facilities (i.e.,

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Sections 9004, 9005, and 9007), while others focus support on new advanced biofuels, research and development programs, and construction of new demonstration-scale and commercial-scale biorefineries (e.g., Sections 9003 and 9008). The Agricultural Act of 2014 (2014 Farm Bill) continues this authority with the exception that the ability to make grants for feasibility studies has been removed from REAP.

~~Over one billion dollars in the 2014 Farm Bill Title IX funding has been provided or authorized to be provided in support of these energy programs. Several of the Title IX sections support the production of liquid biofuels, especially ethanol and biodiesel. The production of liquid biofuels is characterized by five distinct stages: (1) feedstock production; (2) feedstock preprocessing and transportation; (3) feedstock conversion to fuels at the biofuel facility; (4) transportation and distribution of the fuels; and (5) fuel consumption (combustion). As discussed briefly below, the Title IX programs are providing significant support to the first three stages of the biofuels production life cycle.~~

~~Four Title IX sections focus on supporting the first two stages of this biofuel life cycle (production and delivery of feedstock for biofuel production), stages that depend almost exclusively upon the agriculture and forestry sectors. These four sections are: 9008 Biomass Research and Development,~~

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~~9010— Feedstock Flexibility Program for Bioenergy Producers, 9011— Biomass Crop Assistance Program, and 9012— Forest Biomass for Energy.~~

~~While most of the Title IX sections focus heavily on liquid biofuels, there is also important grant and loan-guarantee support within Section 9007 for eight different categories of renewable energy production (e.g., wind, solar, anaerobic digestion, hydro, and geothermal) and energy-efficiency improvements.~~

~~In sum, Title IX of the 2014 Farm Bill, when viewed in total, provides a wide band of support for renewable energy in general and biofuels in particular, across differing value-chain stages and across different levels of commercialization. These programs include a number of financial assistance programs designed to encourage and support the development and use of advanced biofuels in order to advance the Administration's renewable energy objectives including energy-independence, rural economic development, and the reduction of GHG emissions.~~

~~As noted above, one of these the Title IX programs is REAP in Section 9007, which seeks to promote energy efficiency and renewable energy development for agricultural producers and rural small businesses. REAP provides grants and guaranteed loans for ~~through REAP provides grants for eight~~~~

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different categories of renewable energy production (e.g., wind, solar, anaerobic digestion, hydro, and geothermal) as well as for energy efficiency improvements. REAP also provides grants for energy audits and renewable energy development assistance ~~and financial assistance (grants and guaranteed loans) for the purchase of renewable energy systems and to make energy efficiency improvements.~~ _

Renewable energy projects funded by REAP limit greenhouse gas (GHG) emissions through the development and adoption of renewable energy technologies. Because there currently is no market for mitigating GHG emissions, the private sector is not capturing the value of such reductions in GHG emission. By supporting renewable energy technologies, REAP is helping to address this market failure. _

The 2014 Farm Bill provides \$50 million of mandatory funding for REAP for Fiscal Year 2014 and each year thereafter. The 2014 Farm Bill also enables ~~and includes the ability of~~ Congress to approve an additional \$20 million of discretionary funding each year of the Farm Bill. Therefore, it is important to have eligibility criteria and regulations in place to direct administration of the REAP program as well as to guide the public on how to apply for renewable energy and energy efficiency funding opportunities.

2. ~~Summary of Major Changes of the Regulatory Action~~

~~Rural Development (the Agency) published an interim rule for REAP on April 14, 2011. final rule for REAP on April 14, 2011 (76 FR 21110). On April 12, 2013 (78 FR 22044) the Agency published a proposed rule, which incorporated some changes based on the public feedback received during the interim final rule public comment period. The REAP interim rule established a consolidated REAP program by including each part of the program in a single subpart. Up to then, only the RES and EEI grant and guaranteed loan program requirements had been implemented under 7 CFR part 4280, subpart B and, for requirements established by the 2008 Farm Bill, through Federal Register notices. The requirements for energy audit and renewable energy development assistance grants have been implemented through a series of Federal Register notices. The Agency consolidated those programs into one REAP program. Based on comments received from the public on the interim rule, which was published in the Federal Register on April 14, 2011 (76 FR 21110), and the proposed rule, which was published on April 12, 2013 (78 FR 22044) and through agency review of the program thus far, this The final rule intends to ~~changechangechangechangechanges~~ certain components of the ~~interim rule rule~~program to reduce burden and to streamline application process for the REAP~~

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~~programprogramprogramprogramprogram~~ for applicants. The following paragraphs discuss the major aspects of the final rule that are different from how the program is currently being implemented and administered~~In particular.~~

Project eligibility. The Agency is allowing the purchase of renewable energy systems for a rural small business or agricultural operation, which is closely associated and shares an energy metering device with a residence.

Eligibility Criteria. For energy efficiency improvement projects, the Agency is requiring the energy efficiency improvements use less energy on an annual basis in order to be eligible for program funding.

Technical reports. The Agency has made several changes associated with the technical reports:

- _____ The energy efficiency improvement and renewable energy system technical reports for projects with total project costs of \$200,000 or less are being simplified;
- _____ ~~R~~revising provisions associated with what is required for an energy assessment and an energy audit;
- _____ ~~p~~Providing for a single technical report option for renewable energy systems submitted through the process for applications for projects with total project costs of greater than \$200,000; and

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- Eliminating the distinction between large and small solar and wind projects such that the content in preparing the technical reports for all solar and for all wind projects are the same.

Applications. The final rule incorporates three grant application categories, for which the Agency has ~~also~~ developed forms ~~— one for for for for for for~~ For projects with total ~~project~~ costs \$200,000 and greater, applicants may use RD Form 4280-3C, “Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater;” ~~one for for for for for for~~ For projects with total ~~project~~ costs of less than \$200,000, but more than \$80,000, applicants may use Form RD 4280-3B, “Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000;” ~~and one one one one one one~~ Finally, for projects with total ~~project~~ costs of \$80,000 or less, applicants may use Form RD 4280-3A, “Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less.” The three application categories require different amounts of paperwork. With the changes, the smaller the total project costs, the lesser amount of paperwork and burden are

associated with the process.

Scoring criteria. The Agency has made a number of changes to the scoring criteria:

- removed scoring criteria for technical merit and commercial availability; because technical merit was too subjective and difficult to quantify and pre-commercial technologies are excluded from eligibility;
- added a criterion based on energy generated per dollar requested;
- modified the environmental benefits criterion;
- modified the size of the agricultural producer/small business criterion;
- modified the previous assistance criterion;
- modified the “readiness” criterion now referred to as “commitment of funds;”
- modified the simple payback criterion; and
- modified the administrative points criterion.

Pre-commercial technology. The Agency removed pre-commercial technology as an eligible technology. Only commercially available technologies would be eligible for grants and guaranteed loans.

Energy audit requirement threshold for EEI applications. The Agency is raising the threshold for requiring an energy audit (versus an energy assessment) from \$50,000 to \$200,000

in total project cost.

Energy assessment. The Agency is allowing for an energy efficiency improvement project with total project costs of \$80,000 or less to have an individual or entity conduct the energy assessment and does not require the individual or entity to be "independent."

3. Statement of Need

The Agency is authorized under Section 9001 of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) and Section 9007 of the amended Farm Security and Rural Investment Act of 2002 to provide to agricultural producers and rural small businesses loan guarantees and grants for the development and construction of renewable energy systems and energy efficiency improvement projects. The 2008 Farm Bill also authorized the Agency to provide grants specifically for energy audits, renewable energy development assistance, and feasibility studies. The 2014 Farm Bill continues these authorities, with four modifications which are discussed in the preamble of the final rule. These modifications are: adding a three-tier application process, adding councils as an eligible applicant for energy audit and renewable development assistance grants, removing grants for feasibility studies, and making flexible fuel projects ineligible under the

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~~program, except that the ability to make grants for feasibility studies has been removed from REAP.~~

~~Since it began operating the REAP in 2003, the Agency has developed experience regarding how this authority can be used to address renewable energy and energy efficiency issues facing agricultural producers and rural small businesses. The 2008 Farm Bill expanded the types of energy programs the Agency could operate compared to its authority in the 2002 Farm Bill and the 2014 Farm Bill continues these authorities.~~

~~To implement REAP as authorized by the 2008 Farm Bill, the Agency initially issued a series of notices in the Federal Register. However, this was a short term solution until the Agency could implement a complete rule that incorporates all of the authorities in the 2008 Farm Bill. To accomplish this, the Agency first implemented an interim rule in April 2011 to signal its initial implementation of REAP rather than publishing a proposed rule with a separate notice of funding availability for Fiscal YearYearYearYearfiscal yearYear 2011, as it had done for previous years. As stated in the Federal Register notice publishing the interim rule, the Agency noted that it would propose and promulgate a subsequent rule for REAP to replace the interim rule.~~

This final rule ~~will revise~~ 7 CFR 4280, subpart B to include changes that the Agency had previously identified, ~~but~~

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~~did not include in the April 2011 interim rule. The Agency did not include these changes in order to expedite the implementation of the Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) program modifications and to improve the administration of the program via an updated regulation rather than, in part, through Federal Register notices.~~ The changes previously identified were included in the proposed rule, which was published in the Federal Register on April 12, 2013 (78 FR 22044), and included a 60 day public comment period. ~~In addition to the comments~~ Comments received from the public ~~on the proposed rule, the Agency is also addressing in the final rule public comments that were received on the~~ ~~on the interim final rule (76 CFR 21110, April 14, 2011)~~ and the proposed rule, are addressed in this the final rule.

~~The changes~~ Changes ~~changes~~ required by the 2014 Farm Bill ~~will~~ ~~will~~ ~~will~~ ~~that were not already part of the rule were also implemented in~~ ~~will~~ ~~will~~ also be implemented with this final rule. ~~Such changes include, but are not limited to the following:~~ ~~that were not already part the rule which include:~~ ~~, but are not limited to the following:~~

- Repealed the authority to fund feasibility study grants under REAP and also removed the ability to provide assistance for flexible fuel pumps.

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- ~~Allows council's council's council's~~ Allowed ~~council council's council's~~, as ~~define~~ defined in the Resource and Conservation Development program (RC&D ~~Council's Councils~~), ~~Council's~~ to be eligible applicants for ~~for~~ energy audit and renewable energy development assistance grants.

Executive Order 13563 requires that, to the extent required by law, each agency ~~shall~~ modify and streamline rules that are excessively burdensome, outmoded, or ineffective at achieving their objective. The changes in this final rule will improve the implementation and administration of REAP ~~compared to the interim rule. Such changes Such changes Such changes changes~~ The modificationsechanges will streamline the application process, reduce burden to most applicants and rebalance the burden between applicants and awardees, and will provide increased flexibility in providing certain information.

The changes reflect the cumulative knowledge the Agency has gained by administering the program since its ~~implementation inception of the program as well as the discourse between stakeholders and the Agency.~~ This is reflected ~~most strongly in:~~ (1) streamlining and revising the grant application process, ~~,,,,;~~ (2) including the

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development of application forms for each category of application; and ~~the revisions to the~~ or removing certain scoring criteria to make the scoring process overall so that the criteria are more objective ~~and better further the program goals~~. Making the scoring criteria more objective (i.e., less subjective) will enable the Agency to score projects implement administer the program more consistently across the United StatesStates, States.

The renewable energy industry, in particular, has matured significantly since this program began in 2003. The Agency has taken into consideration that maturation as it developed this rule.

In considering changes to the ~~interim~~ ruleruleruleruleruleprogram, the Agency also examined other ~~FederalFederalFederalfFederalFederal~~ programs that provide funding to ~~the same or~~ similar projects that can be funded under REAP. The result of that examination was a determination that limiting REAP to commercial technologies (i.e., removing pre-commercial technologies as an eligible project) would avoid overlap with the Agency's Biorefinery Assistance Program (7 CFR 4279, subpart C).

In sum, these changes will improve the ~~existing REAP~~ ruleruleruleruleruleprogram. The cumulative effects of these changes are an overall reduction in the burden to applicants

and an improvement in the implementation and administration of the program by the Agency.

4. Estimation of Baseline

In this section, the Agency provides a discussion of practices in the baseline ~~and what changes are being made to them~~; a discussion of the baseline universe of affected parties; and an estimate of the number of applications that are likely affected by this rulemaking given current funding for this program from the 2014 Farm Bill.

A. Baseline Practices and Final Rule Modifications

The baseline for this program was implemented under 7 CFR, subpart B, which was initially established under the 2002 Farm Bill and subsequently modified under the 2008 Farm Bill. The following discussion provides an overview of how the program is currently implemented and administered and how those provisions are changed as a result of this final rule. In the absence this final rule, Agency support for renewable energy and energy efficiency projects in rural America would ~~be~~ continue to be provided under the provisions found in the interim rule published in the Federal Register on April 14, 2011 (76 FR 11110) and as codified in 7 CFR 4280, subpart B ~~the~~

~~REAP interim rule program criteria.~~

Renewable Energy System (RES) and Energy Efficiency Improvement (EEI) Grants

Applicant eligibility

~~Under the baseline program, currently, to be eligible for a RES/EEI grant,~~ the applicant must be either an agricultural producer or a rural small business in order to be eligible for a RES/EEI grant. In addition, applicants that have received one or more grants or guaranteed loans under REAP (or the Section 9006 Program) must demonstrate that they have made satisfactory progress toward completion of the projects before they can be considered for subsequent funding.

Under the final rule, the applicant must still be either an agricultural producer or a rural small business and demonstrate that they have made satisfactory progress toward completion of previous projects before they can be considered for subsequent funding. However, some additional requirements have been added to the section on applicant eligibility.

~~First, several requirements found under of the project eligibility requirements under in the current regulation~~ baseline program have been ~~were~~ are moved to the

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applicant eligibility requirements in the final rule. The requirements that have been moved are:

- including the applicant must having to ownownownown or be the prospective owner of the project;
- the applicant must own or control the site for the project for the useful life of the project as described in the grant agreement;
- the applicant must haveand also having available, or being able to demonstrate, at the time of application satisfactory sources of revenue in an amount sufficient to provide for the operation, management, maintenance, and any debt service of the project for the useful life of the project.

Second, Aalthough inferred in the current regulationunder the baseline program, the final rule clearly states that the applicant must have the legal authority necessary to apply for and carry out the purpose of the grant.

Financial information is still required if businesses have not been in business for 3 years. The Agency will make this eligibility determination on new businesses by the location of the project for the rural small business applicant. Lastly,
Aall applicants must also comply with the Dun and Bradstreet Data Universal Numbering System (DUNS) and System for Awards Management requirements unless exempt under 2 CFR § 25.110.

Project eligibility

Under the ~~current interim rule~~baseline program, REAP projects must ~~involve be for the following: the~~ purchase of a renewable energy system (including flexible fuel pumps) or to make energy efficiency improvements including those ,to the retrofitting retrofit of an existing renewable energy systems. ~~Such projects must be , or to make energy efficiency improvements; for be for~~ a pre-commercial or commercially available and replicable technology that has; have technical merit, as determined by the Agency, and demonstrates technical feasibility; and be located in a Statestate. Eligible hydropower projects are limited to those with a rated power of 30 megawatts or less.

In addition, the facility for the proposed project must be located in a rural area (see § 4280.103) if the applicant is a rural small business. However, If the applicant is an agricultural producer, the project may be located in either a rural or non-rural area. If the agricultural producer's facility is in a non-rural area, then the application can only be for renewable energy systems or energy efficiency improvements on integral components of a facility or on components that are directly related to the facility. , such

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~~as vertically integrated operations, and are~~ Such projects must bear part of and co-located with the agriculture production operation.

Under the baseline program, RES or EEI projects are prohibited when used for any residential purposes except for certain RES projects where a second meter or certification is provided to demonstrate that none of the excess power generated by the system is used for residential purposes.

Lastly, under the baseline program, other project eligibility requirements, which are more closely aligned with the applicant, under the baseline program are:

- the applicant must have ~~has~~ a place of business in a Statestate;
- the applicant must have sufficient sources of revenue to provide for the operation, management, maintenance, and debt service of the project over the life of the project;
- the applicant sites ~~must be controlled by the agricultural producer or rural small business control the project's site~~ for the financing term of any associated ~~Federal~~federal loans or loan guarantees; and
- the applicant must be the owner of the project and control the revenues and expenses of the project, including

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operation and maintenance. A third-party under contract to the owner may be used to control revenues and expenses and manage the operation and/or maintenance of the project; ~~and.~~

- ~~• limiting eligible hydropower projects must be~~~~is limited to those with a rated power of 30 megawatts or less.~~

Under the final rule, ~~the following~~numerous changes have been made:

- ~~• project eligibility for pre-commercial technologies and flexible fuel pumps~~ have~~has been removed~~are no longer eligible projects;
- ~~• the project may be for the purchase of a refurbished RES is~~ now an eligible project;
- ~~• eligible EEI projects must demonstrate that they will use less energy on an annual basis than the original building and/or equipment being improved or replaced in order to be eligible;~~
- ~~• setting conditions under which a proposed EEI project that replaces or duplicates an EEI project previously funded by REAP may be eligible for funding~~ have been added;
- ~~• . —As mentioned under applicant eligibility, applicants are required to own or be the prospective owner of the project for the useful life of the project as described in the grant agreement and, at the time of application, to have~~

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~~sufficient sources of revenue to provide for the operation, management, maintenance, and any debt service of the project for the useful life of the project. In addition, the limitation on eligible hydropower projects to those with a rated power of 30 megawatts or less has been incorporated-relocated into the definition of hydroelectric source-definition and no longer needs to be identified as a separate project limitation.;~~ _

- ~~f~~For agricultural producers with operations in non-rural areas, the application can only be for RES or EEI “on components that are directly related to and their use and purpose is limited to the “agricultural production operation” rather than “on integral components of or directly related to the facility;” and

- additional options have been provided to allow The final rule also allows an agricultural producer and rural small-business to apply for and receive assistance for a renewable energy system pRES projects that are closely associated with a residence and that share an energy metering device to be eligible.

With regard to the four applicant-related requirements, the requirement that the applicant must have a place of business in a state has been removed. The other three have been

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relocated to the applicant eligibility section with changes to two of them:

- the applicant must own or control the site of the project, adding "own or" to the requirement; and
- the applicant must own or be the prospective owner of the project, adding "or be the prospective owner."

•—

- ~~• The final rule also allows an agricultural producer and rural small business to apply for and receive assistance for a renewable energy system project, in which a residence is closely associated with and shares an energy metering device. All other project eligibility requirements remain unchanged.~~

Applications

The following paragraphs discuss the application-related requirements for RES and EEI grant applications.

Application deadlines. Under the baseline program, application deadlines are specified each year in a notice published in the Federal Register.

Under the final rule, application deadlines for State and National competitions and for the \$20,000 or less set-aside

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funding competition are identified in the rule. The Agency can also modify the application deadline by publishing a Notice in the Federal Register.

Limitations. Under the ~~REAP interim rule~~baseline, an applicant can only submit one type of funding application (grant-only, guaranteed loan-only, or guaranteed loan/grant combination) for each project per Federal fiscal year~~not submit, for example, both a grant application and a combined grant and guaranteed loan application for the same project.~~

Under the final rule, the limitation remains unchanged.

Content. Under the ~~REAP interim rule~~baseline program, there are two different RES/EEI grant application requirements based on the the application content varies depending on whether the application is for a grant or a guaranteed loan. In addition, the content varies depending on the total project costs for~~aof the proposed project - .—~~a simplified application requirements can be used by applicants Ffor RES/EEI grants, applicants may submit a simplified application if their proposed project's with total project costs are of \$200,000 or less and ; ~~otherwise,~~ a full application requirements is to be submittedfor projects with total project costs of more than

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\$200,000.

Under the final rule, there are three different sets of application requirements based on the total costs of the proposed project:

- One for projects with total project costs of \$80,000 or less;
- One for projects with total projects costs of more than \$80,000 and up to and including \$200,000; and
- One for projects with total project costs of more than \$200,000. ~~the application content still varies depending on whether the application is for a grant or a guaranteed loan; and, and on the total project costs for a project as with the baseline, the content varies depending on the total costs for a project. The Agency has developed new forms to assist applicants in completing the requirements for each category of application.~~

In implementing the new "three-tier" application process, the Agency has developed forms which role all the application requirements outline in the regulation into forms that will assist applicants with completing an application. The three new application forms include: Form RD 4280-3C, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater; Form RD

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4280-3B, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000; and Form RD 4280-3A, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less.

As under the baseline program, the amount and detail of information required under the final rule increases as the cost of the project increases.

~~For RES/EEI grants, applicants will be able to submit applications based upon total project cost — not new? — Projects with smaller total project costs will have fewer application requirements. There are three processes and new application forms that include projects with total project costs of \$200,000 and greater, Form RD 4280-3C, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater; projects with total project costs of less than \$200,000 but more than \$80,000, Form RD 4280-3B, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000; and projects with total project costs of \$80,000 or less, Form RD-~~

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~~4280-3A, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less.~~

Forms and certifications. Under the ~~REAP interim rule~~baseline program, the following forms ~~and certifications~~ are required with application submittal.

- Form SF-424, "Application for Federal Assistance."
- Form SF-424C, "Budget Information-Construction Programs."
- Form SF-424D, "Assurances-Construction Programs."
- Form RD 1940-20, "Request for Environmental Information."
- Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1-For Grantees Other than Individuals."
- Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions."
- Exhibit A-1 of RD Instruction 1940-Q, "Certification for Contracts, Grants and Loans," required by 7 CFR 3018.110 if the grant exceeds \$100,000.
- Form SF-LLL, "Disclosure of Lobbying Activities," must be completed if the applicant or borrower has made or agreed to make payment using funds other than Federal appropriated

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funds to influence or attempt to influence a decision in connection with the application.

- Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions."
- Form RD 400-1, "Equal Opportunity Agreement."
- Form RD 400-4, "Assurance Agreement."

Under the baseline program, Applicants and borrowers must provide a certification indicating whether or not there is a known relationship or association with an Agency employee. In addition,

~~F~~Applicants with projects with total project costs of \$200,000 or less must certify that, ~~an additional certification is required to ensure that~~ the applicant has met the ~~requirements criteria of § 4280.114 (a)~~ for submitting a simplified application.

Under the final rule, changes have been made to both the forms and certifications to be submitted with application.

With regard to forms, applicants are still required to submit:

- Form SF-424, "Application for Federal Assistance."

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- Form SF-424C, "Budget Information-Construction Programs."
- Form SF-424D, "Assurances-Construction Programs."
- Form RD 1940-20 with documentation attached for the appropriate level of environmental assessment.
- The applicable application form - Form RD 4280-3A, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less; Form RD 4280-3B, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000; or Form RD 4280-3C, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater.

Under the final rule, a number of forms required to be submitted with the application under the baseline program are unnecessary certain forms have been removed from the application submittal requirements and only collected if a grant is awarded. The the following forms that have been removed from the application submittal requirements and are now only collected submitted upon award. These forms are are-

now:

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- Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1-For Grantees Other than Individuals."
- Form AD-1048, "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions."
- Exhibit A-1 of RD Instruction 1940-Q, "Certification for Contracts, Grants and Loans," required by 7 CFR 3018.110 if the grant exceeds \$100,000.
- Form SF-LLL, "Disclosure of Lobbying Activities," must be completed if the applicant or borrower has made or agreed to make payment using funds other than Federal appropriated funds to influence or attempt to influence a decision in connection with the application.
- Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions."
- Form RD 400-1, "Equal Opportunity Agreement."
- Form RD 400-4, "Assurance Agreement."

However, with regard to certifications under the final rule,
additional certifications were are added to ensure that the
applicant is a legal entity, because (organizational

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documents are no longer required). Also certifications and that equipment is available and proper laws are being followed in construction of a REAP project were added that were addressed in the technical reports under the baseline program.

~~The following forms and certifications are required under the final rule unless otherwise noted.~~

- ~~• Form SF 424, "Application for Federal Assistance."~~
- ~~• Form SF 424C, "Budget Information Construction Programs."~~
- ~~• Form SF 424D, "Assurances Construction Programs."~~
- ~~• Form RD 1940-20 with documentation attached for the appropriate level of environmental assessment.~~
- ~~• Form RD 4280-3A, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$80,000 or Less; Form RD 4280-3B, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of Less Than \$200,000, but More Than \$80,000; or Form RD 4280-3C, Application for Renewable Energy Systems and Energy Efficiency Improvement Projects, Total Project Cost of \$200,000 and Greater.~~

~~Withi~~n each application ~~listed above~~ the applicant must:

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- Identify whether or not the applicant has a known relationship or association with an Agency employee. If there is a known relationship, the applicant must identify each Agency employee with whom the applicant has a known relationship.
- Certify the applicant is a legal entity in good standing (as applicable), and operating in accordance with the laws of the ~~StateStateStateStatestateState~~(s) or Tribe where the applicant has a place of business.
- Certify that the equipment required for the project is available, can be procured and delivered within the proposed project development schedule, and must be installed in conformance with manufacturer's specifications and design requirements. This would not be applicable when equipment is not part of the project.
- Certify that the project will be constructed in accordance with applicable laws, regulations, agreements, permits, codes, and standards.

For projects with total project costs of less than \$200,000, but more than \$80,000, applicants must certify that they ~~applicant has met~~ meet the ~~requirements of § 4280.118-~~ (a)criteria for submitting applications for projects with

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total project costs between \$80,000 and up to and including \$200,000.

~~Because applicants applying for projects with total project costs of \$80,000 or less, applicants will must only have to certify to for many of the applicant and project eligibility requirements, rather than submitting a form or other documentation, including, the final rule lists out the specific forms and certifications and other required narrative discussion separately under § 4280.119. The same forms are required as above.~~

~~Additional certifications include:~~

- ~~• The applicant has metmeets the requirements of § 4280.119 (a);~~
- The applicant meets each of the applicant eligibility criteria found in § 4280.112;
- The proposed project meets each of the project eligibility requirements found in § 4280.113;
- The applicant meets the criteria for submitting applications for projects with total project costs of \$80,000 or less;

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- ~~• The applicant meets the criteria for submitting an application for projects with total project costs of \$80,000 or less;~~
- ~~• The applicant will abide~~abideabideabideabidesabide by the open and free competition requirements in compliance with § 4280.124(a)(1); and
- For bioenergy projects, any and all woody biomass feedstock from ~~National~~national forest system land or public lands cannot otherwise be used as a higher value wood-based product.

~~Applicant Operation~~information and description. Under the ~~REAP interim rule~~baseline program, an applicant must provide a description of their total farm/ranch/business operation and the relationship of the proposed project to the applicant's total farm/ranch/business operation.

Under the final rule, the applicant is required to submit a description of the applicant's farm/ranch/business operation and the North American Industry Classification System (NAICS) code applicable to the applicant's business concern.

Ownership description. Under the baseline program, The

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~~applicant description information requirement below and this applicant information requirement are combined into one application requirement under the REAP interim rule. baseline program. The applicant must also provide a description of their ownership, including a list of individuals and/or entities with ownership interest, names of corporate parents, affiliates, and subsidiaries, as well as a description of the relationship including products between these entities.~~

~~Under the final rule, a description of the applicant's farm/ranch/business operation must be included as well as information to demonstrate that the applicant meets the definition of agricultural producer or rural small business as defined in § 4280.103, including appropriate information necessary to demonstrate that the applicant meets the agricultural producer's percent of gross income derived from agricultural operations or the rural small business' size requirements, as applicable, requirements identified in these definitions. The financial information for size determination requirement (see below) under the REAP interim rule baseline program is requested under applicant information rather than as a separate application requirement.~~

~~Applicant description. Under the REAP interim rule baseline~~

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~~program, an applicant must provide a description of their ownership, including a list of individuals and/or entities with ownership interest, names of corporate parents, affiliates, and subsidiaries, as well as a description of the relationship including products between these entities. The applicant information requirement above and this applicant description requirement are combined into one requirement under the REAP interim rule.~~ rulebaseline program. Under the final rule, the requirement remains essentially unchained, only. ~~However, the final rule does~~ clarifying that both the “management and product exchange” need to be discussed in the description of any relationship between the applicant and other entities.

Financial information for size determination. Under the ~~REAP interim rule baseline program,~~ rural small business applicants must provide sufficient information to determine ~~total average~~ annual receipts over the previous three years and the number of employees, over the previous 12 months, of the business and any parent, subsidiary, or affiliates at other locations. Agriculture producer applicants must provide the gross market value of their agricultural products, gross agricultural income, and gross non-farm income for the calendar year preceding the year in which the application is submitted.

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Under the final rule, two substantive changes to these requirements have been made. First, agricultural producers are to supply their ~~this requirement is unchanged.~~ ~~However, the information is requested~~ ~~has been relocated under applicant information rather than as a separate application requirement~~ ~~and~~ gross non-farm income for the three (rather than one) calendar years, instead of one, which that precede the year in which the application is submitted. Second, the Agency clarified in the final rule has included what information is required for those businesses applicants that do not have three years of financial data for size determination.

Financial information (only for projects with total project costs of \$200,000 and greater). Under the ~~REAP interim rule~~ baseline program, the following financial information is required for ~~full applications~~ this set of projects on the total operation of the agricultural producer/rural small business and its parent, subsidiary, or affiliates at other locations. ~~The baseline program requires that the following financial requirements must be substantiated by authoritative records.:~~

- a. Historical financial statements. Provide historical financial statements prepared in accordance with

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Generally Accepted Accounting Practices (GAAP) for the past 3 years, including income statements and balance sheets. If agricultural producers are unable to present this information in accordance with GAAP, they may instead present financial information in the format that is generally required by commercial agriculture lenders.

- b. Current balance sheet and income statement. Provide a current balance sheet and income statement prepared in accordance with GAAP and dated within 90 days of the application. Agricultural producers can present financial information in the format that is generally required by commercial agriculture lenders.
- c. Pro forma financial statements. Provide pro forma balance sheet at start-up of the agricultural producer's/rural small business' business that reflects the use of the loan proceeds or grant award; and 3 additional years, indicating the necessary start-up capital, operating capital, and short-term credit; and projected cash flow and income statements for 3 years supported by a list of assumptions showing the basis for the projections.

| Under the final rule, the se financial information requirements for projects with total project costs of \$200,000 and greater

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~~(formerly full applications)~~ remain unchanged.

Previous grants and loans. Under the ~~REAP interim~~
~~rule~~baseline program, an applicant that has received one or more grants and/or guaranteed loans under this program must make satisfactory progress, as determined by the Agency, toward completion of any previously funded projects before the applicant will be considered for subsequent funding.

~~Under the final rule, this requirement remains unchanged.~~
~~However, __~~

Under the final rule, the Agency is adding to the baseline program requirement that the applicant ~~the applicant is~~
~~required to state whether the applicant has received any previous grants and/or loans under this subpart and to~~
describe the progress made on each project for which ~~the a~~
previous grant and/or loan was received, including projected schedules and actual completion dates.

~~Under the final rule, no changes have been made to this requirement. This will provide more detailed information than currently required to assist the Agency in making a better~~

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~~assessment of whether the applicant has satisfactorily performed on previous awards.~~

Basic Pproject information. Under the ~~REAP interim-~~
~~rule~~baseline program, an applicant ~~must~~ provides a concise
~~project~~ summary of the project proposal and applicant
information, project purpose and need, and project goals,
including the title of the project, a description of how the
applicanty meets the ~~definition-criteria for~~ of an eligible
applicant, ~~and~~ how the project meets the criteria for an
eligible project, whether the project is for a renewable
energy system or energy efficiency improvement, and a brief
description of the system or improvement.

Under the final rule, the applicant is still responsible for
providing this same information (although the requirements are
located in different places within the rule) with the
exception of the concise summary. The final rule adds the
requirements that the applicant must identify whether the
~~project is for a renewable energy system or an energy-~~
~~efficiency improvement project, and~~ include a description of
the location of the project and a description of the process
that will be used to conduct all procurement transactions to
demonstrate compliance with open and free competition

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~~requirements (see § 4280.124(a)(1)). Under the final rule, applicant eligibility is covered under applicant information and project eligibility is determined by the type of project and whether the proposed project costs are eligible or ineligible for the program in accordance with § 4280.115 (c) and (d). A description of the procurement process has been added to ensure that applicants can demonstrate compliance with the procurement policies of the program.~~

Project positive effects. Under the ~~REAP interim rule~~baseline program, an applicant must provide ~~an environmental analysis completed all environmental review documents with supporting documentation in accordance with 7 CFR Part 1940, subpart 6.~~ The Agency determines the potential positive effects of the project based upon completion of the environmental analysis ~~for~~documentation that the purpose of the proposed system contributes to the environmental goals and objectives of other Federal, State, or local programs to receive priority points.

Under the final rule, applicants must describe how the proposed project will have a positive effect on resource conservation (e.g., water, soil, forest), public health (e.g., potable water, air quality), and the environment (e.g., compliance with the U.S. Environmental Protection Agency's

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renewable fuel standard(s)), greenhouse gases, emissions, and particulate matter restrictions) under the project information requirement in addition to providing the appropriate environmental analysis form.

Matching funds. Under the ~~REAP interim rule~~baseline program, an applicant must provide a spreadsheet identifying sources of matching funds, their amounts, and the status of matching funds. The spreadsheet must also include a directory of matching funds source contact information and any applications, correspondence, or other written communication between applicant and matching fund source.

Under the final rule, an applicant must identify the amount of matching and other funds and the source(s) the applicant is proposing to use for the project under the project information requirement. In addition, the applicant must provide written commitments for matching and other funds at the time the application is submitted to receive points under the commitment of funds scoring criterion. The Agency has also included a description of what is expected in a written commitment in order to receive points.

Technical report. Under the ~~REAP interim rule~~baseline

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program, each application must contain a technical report that conforms to Appendix A for projects with total eligible project costs of \$200,000 or less, Appendix B for projects with total eligible project costs of greater than \$200,000, Appendix C for hydropower projects, or Appendix D for flexible fuel pumps.

Under the final rule, each application must contain a technical report prepared in accordance with § 4280.110(h) and Appendices A through C as applicable. For projects with total projects costs of \$80,000 or less, the technical report requirements are located in the application narrative ~~area~~.

Feasibility study for renewable energy systems. Under the ~~REAP interim rule~~ baseline program, a feasibility study must be prepared by an independent qualified consultant for each ~~renewable energy system~~ RES project that exceeds \$200,000. The components of a feasibility study are, ~~a feasibility study must be prepared by an independent qualified consultant as~~ specified in Appendix E.

Under the final rule, the requirement for a feasibility study by a qualified consultant is still required for RES projects that exceed \$200,000. ~~h~~ However, Appendix E is no longer

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referenced as it has been removed ~~since~~ because REAP can no longer fund feasibility study grants.

Energy audit for energy efficiency improvement projects.

Under the ~~REAP interim rule~~ baseline program, an energy audit is required for projects with total eligible project costs greater than \$50,000. For energy efficiency improvement projects with total eligible project costs of \$50,000 or less, either an energy assessment or energy audit can be submitted.

Under the final rule, the threshold for requiring an energy audit (versus an energy assessment) is increased from \$50,000 to \$200,000 in total project cost. The Agency is changing this because experience with the program shows that it is not necessary for an applicant to incur the cost of a full energy audit for a \$50,000 project when an energy assessment provides sufficient information for the Agency to evaluate the project. In addition, an energy efficiency improvement project with total project costs of \$80,000 or less can provide an energy assessment and does not require the individual or entity to be "independent". The audit and assessment requirements are found in Appendix A, "Technical Report for Energy Efficiency Improvement Projects," of the final rule rather than having a separate application requirement.

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Construction planning and performing development. Under the ~~REAP interim rule~~baseline program, each application submitted must be in accordance with § 4280.119 for planning, designing, bidding, contracting, and constructing renewable energy systems and energy efficiency improvement projects as applicable. For contracts of \$200,000 or less, the simple contract method, as specified in paragraph (e) of the section, may be used. Contracts greater than \$200,000 shall use the contract method specified in paragraph (g) of the section.

Under the final rule, each application submitted must be in accordance with § 4280.124 for planning, designing, bidding, contracting, and constructing renewable energy systems and energy efficiency improvement projects as applicable. While this section is organized differently from the current corresponding section, it covers many of the same subjects. The primary change is the provision of exceptions to the surety requirements for: (1) small acquisition and construction procedures, (2) equipment purchases and installation-only projects of more than \$200,000 if two conditions are met, and (3) other construction projects that have only one contractor performing work. There are also changes associated with the provisions for technical services

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for projects with total project costs greater than \$400,000, including allowing the applicant's in-house engineer to provide the services. Design services performed by engineers may only be done by engineers licensed in the state in which the facility is located. Further, the Agency is allowing an exemption from these requirements for projects with total project costs greater than \$400,000 if ~~State-state~~ or ~~Tribal-tribal~~ law does not require the use of a licensed professional engineer.

Grant Funding

Under the ~~REAP-interim-rule~~baseline program, the amount of grant funds made available to an eligible RES/EEI project cannot exceed 25 percent of total eligible project costs. The maximum grant assistance to any entity cannot exceed \$750,000 per ~~federal~~Federal fiscal year. In addition, for renewable energy system grants, the minimum grant is \$2,500 and the maximum is \$500,000 and, for energy efficiency improvement grants, the minimum grant is \$1,500 and the maximum grant is \$250,000.

Under the final rule, while these requirements ~~would~~ remain unchanged, ~~but under the final rule,~~ the final rule clarifies that the \$750,000 maximum grant assistance applies to all

grants awarded under the REAP regulation.

Eligible Project Costs

~~The Under the interim rule~~baseline program, allows the following costs are “eligible project costs:”

- Post-application purchase and installation of equipment.
- Post-application construction or improvements, except residential.
- Energy audits or assessments.
- Permit and license fees.
- Professional service fees, except for application preparation.
- Feasibility studies and Technical reports.
- Business plans.
- Retrofitting.
- Construction of a new energy efficient facility.
- Energy efficiency improvements identified in the energy assessment or audit which are similar size and capacity.

~~ligible Project Costs~~

Under the final rule, costs incurred prior to submittal of an application ~~will are~~ not be consider~~considerede~~consider eligible project costs. This change results in removing the term “post-application” as found in the baseline program.

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Further, the final rule adds additional items that are eligible project costs and reformats several other Eligible projects costs. The new list of eligible project costs under the final rule is:—include:

- Purchase and installation of new or refurbished equipment.
- Construction, retrofitting, replacement, and improvements.
- Energy efficiency improvements~~EE~~ identified in the applicable Energy Assessment or Energy Audit.
- Fees for construction permits and licenses.
- Professional service fees for Qualified Consultants, contractors, installers, and other third-party services.
- For an eligible RES in which a residence is closely associated with the Rural Small Business or agricultural operation the installation of a second meter to separate the residence from the portion of the project that benefits the Rural Small Business or agricultural operation, as applicable.~~RES project in which a residence is closely associated with and shares an energy metering devices with the business operation are eligible under certain conditions, such as, demonstrate that 51 percent or greater of the energy to be generated will benefit the business operation.~~~~Professional service fees for~~

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~~Qualified Consultants, contractors, installers, and other third-party services.~~

Ineligible Project Costs

Under the baseline program, there is no list specifically identifying costs as being ineligible project costs.

Under the final rule, the Agency is including the following list of ineligible project costs. This list is not intended to be all inclusive.

- (1) Agricultural tillage equipment, Used Equipment, and vehicles;
- (2) Residential RES or EEI projects;
- (3) Construction or equipment costs that would be incurred regardless of the installation of a RES or EEI shall not be included as an Eligible Project Costs. For example, the foundation for a building where a RES is being installed, storage only grains bins connected to drying systems, and the roofing of a building where solar panels are being attached;
- (4) Business operations that derive more than 10 percent of annual gross revenue (including any lease income from space or machines) from gambling activity, excluding

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State or Tribal-authorized lottery proceeds, as approved by the Agency, conducted for the purpose of raising funds for the approved project;

- (5) Business operations deriving income from activities of a sexual nature or illegal activities;
- (6) Lease payments;
- (7) Any project that creates a conflict of interest or an appearance of a conflict of interest as provided in § 4280.106;
- (8) Funding of political or lobbying activities; and
- (9) To pay off any Federal direct or guaranteed loans or other Federal debts.

~~Also, restrictions relative to residential purposes will now be identified as ineligible project costs.~~

Evaluating and scoring applications

Under the ~~REAP interim rule~~baseline program, the Agency evaluates each application to determine the eligibility of the applicant the project, and to determine if the project has technical merit.

The Agency ~~will score~~scores each eligible and complete application using the following criteria, with higher scoring

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applications receiving preference for funding:

- Quantity of energy replaced, produced, or saved, and flexible fuel pumps
- Environmental benefits
- Commercial availability
- Technical merit
- Readiness
- Small agricultural producer/very small business
- Simplified application/low cost projects
- Grantees and borrowers who did not receive assistance within the prior two years
- Simple payback
- State Director and Administrator priorities and points

Under the final rule, ~~the process will remain unchanged the evaluation process remains unchanged, but. Some. Some of of the above criteria remain unchanged,,,,, but the following scoring criteria have been changed, as described below.÷~~

- The Agency ~~modified~~ increased the “Quantity of energy generated, replaced, or saved” score criterion ~~was increased~~ to 25 points and created two separate sub-criterion: (1) ~~Energy generated, replaced, or saved;~~ and (2) Quantity of energy generated or saved per REAP

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dollar requested. The quantity of energy generated or saved per REAP dollar requested will measure the ~~projectsprojectsprojectsproject'sprojects~~ ability to ~~generate or save generated or saved~~ energy over a 12 month period per REAP dollar requested. To receive the maximum of 10 point under this criterion the project must ~~generate or save generated or saved~~ 50,000 BTUs.

Flexible fuel pump scoring under this criterion was also removed.

- Commercial availability and technical merit have been removed and are considered as eligibility requirements only.
- "Small agricultural producer/very small business" has been revised and renamed "size of agricultural producer or rural small business" to align more with the ~~SBA's~~ Small Business Administration's definitions.
- "Simplified application/low cost project" has been removed since a third application process is added for total project cost of \$80,000 or less.
- Previous grantees and borrowers points were increased from 10 to 15 for those applicants who have never received prior assistance under REAP.
- Three new categories were added for consideration in awarding administrative points: (1) the applicant is a

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member of an under-represented or under-served population, (2) the proposed project furthers an ~~agency~~ Agency goal, and (3) the proposed project is located in an impoverished area, has experienced long-term population decline, or loss of employment.

Selecting and Awarding Grants

Under the ~~REAP interim rule~~ baseline program, ~~an awardee~~ receives the following forms are executed with the grantee items:

- Letter of conditions.
- Form RD 1942-46, "Letter of Intent to Meet Conditions."
- Form RD 1940-1, "Request for Obligation of Funds," and
- Form RD 4280-2, "Rural Business-Cooperative Service Grant Agreement."

~~Awardees~~ Grantees must sign and return Forms RD 1940-1 and 1942-46 in order for the Agency to obligate funds for the project. Grantees must also, ~~and then~~ return the Grant Agreement

Where applicable, the grantee must also provide the Agency with a copy of ~~and~~ the Power Purchase Agreement, ~~as applicable,~~ when the project is ready to start.

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~~Under the final rule, application deadlines for State and National and the \$20,000 or less set aside funding competitions are identified in the rule. The Agency can also modify the application deadline by publishing a Notice in the Federal Register. Grantees must submit the same set of forms as under the baseline program plus, the Agency will award applications in accordance with the Agency's Departmental regulations. Additional forms are added to this process rather than at application submittal as previously discussed, several forms that were submitted with the application form under the baseline program. These additional forms are All forms must be signed and returned to the Agency and follow the same process as provided in the REAP interim rule. The necessary items associated with making awards are:~~

- ~~• Letter of conditions.~~
- ~~• Form 1942-46, "Letter of Intent to Meet Conditions."~~
- ~~• Form RD 1940-1, "Request for Obligation of Funds."~~
- ~~• Insurance requirements.~~
- Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative 1-For Grantees Other than Individuals."
- Form SF-LLL, "Disclosure of Lobbying Activities," if the grant exceeds \$100,000 and/or if the grantee has made or

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agreed to make payment using funds other than Federal appropriated funds to influence or attempt to influence a decision in connection with the application.

- Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters-Primary Covered Transactions."
- Form RD 400-1, "Equal Opportunity Agreement," or successor form.
- Form RD 400-4, "Assurance Agreement," or successor form.
- Form AD-1048, as signed by the contractor or other lower tier party.

In addition, the final rule requires applicants to submit written Eevidence that of matching funds are in effect .—
Specifically, if an applicant submitted written evidence of matching funds and other funds with the application, the applicant is responsible for ensuring that such written evidence is still in effect (i.e., not expired) when the grant is executed. If the applicant did not submit written evidence of matching funds and other funds with the application, the applicant must submit such written evidence that is in effect before the Agency will execute the grant agreement.

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- ~~Form RD 4280-2, "Rural Business Cooperative Service Grant Agreement," and~~
- ~~Power purchase agreement (where applicable).~~

Grantee Servicing

Under the ~~REAP interim rule~~baseline program, RES and EEI grants are serviced in accordance with the requirements specified in Departmental Regulations; 7 CFR part 1951, subparts E and O; and Form RD 4280-2.

Under the final rule, the requirements remain unchanged.

However, the Agency included ~~Departmental Regulations items~~pursuant to departmental regulation for clarity and consistency with other REAP grant programs. The following items are covered in the regulation.

- Inspections
- Programmatic changes in project cost or scope
- Changes in contractor or vendor
- Transfer of obligation or ownership
- Disposition of acquired property
- Financial management system and records
- Audit requirements
- Grant disbursement
- Monitoring of project

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- Financial and project reporting requirements
- Outcome project performance reports
- Grant close-out

RES/EEI Guaranteed Loans

Applicant eligibility

Under the ~~REAP interim rule~~ baseline program, the applicant eligibility criteria for RES/EEI grants ~~also applies~~ to borrowers for RES/EEI guaranteed loans.

~~Under the final rule, the applicant eligibility se-~~
~~requirements for borrowers would continue to remain~~
~~unchanged~~ be the same as for RES/EEI grant applicants. under
the final rule. As noted earlier under the applicant
eligibility discussion for RES/EEI grants, some changes have
been made to applicant eligibility that also applies to
applicants applying for guaranteed loans. Please refer to
that earlier discussion for more information.

Project eligibility

Under the ~~REAP interim rule~~ baseline program, the project eligibility criteria for RES/EEI grants apply to RES/EEI guaranteed loans with the exception that. In addition, guaranteed loan funds may also be used to ~~purchase~~ make

necessary capital improvement to an existing renewable energy system.

Under the final rule, the project eligibility criteria for guaranteed loans continue to be the same as for RES/EEI grants, and the changes to those requirements, as discussed earlier, apply to project eligibility requirements for guaranteed loans.

The final rule allows guaranteed loans to be made for ~~These requirements would remain unchanged under the final rule. In addition, the final rule will and also allow the purchase of an existing RES to be eligible for an additional a guaranteed loan.~~ This replaces the baseline program's provision for making "necessary capital improvements to an existing renewable energy system."

Lastly, the final rule allows as an eligible project cost ~~and~~ the refinancing of a project's existing debt if the original purpose of the loan was for a project that qualifies as an original debt's purpose is was an eligible project purpose under REAP.

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Lender eligibility

Under the ~~current REAP interim rule~~baseline program, the ~~same~~ lender eligibility requirements are the same as for the B&I guaranteed loan program ~~are used~~.

Under the final rule, ~~These~~ requirements remain ~~unchanged~~the same under the final rule.

Applications

Under the ~~REAP interim rule~~baseline program, ~~loan applicants'~~ applications for ~~loan guarantees~~guaranteed loans of more than \$600,000 comply with the application contents specified for grant projects with total project costs of more than \$200,000, except for the grant forms. If the loan guarantee application is for \$600,000 or less, but with total project costs of more than \$200,000, the application contains the same information as for loan guarantees of more than \$600,000, except for grant forms. If the loan guarantee application is for \$600,000 or less, but with total project costs of \$200,000 or less, the application contains the same information as specified for grant projects with total project costs of \$200,000 or less, except for the grant forms. The following must also be included in a loan guarantee application:

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- A completed Form RD 4279-1, "Application for Loan Guarantee" or Form RD 4279-1A, "Application for Loan Guarantee," if the guaranteed loan amount is \$600,000 or less.
- Form RD 1940-20.
- A personal credit report from an Agency approved credit reporting company for each owner, partner, officer, director, key employee, and stockholder owning 20 percent or more interest in the borrower's business, except passive investors and those corporations listed on a major stock exchange.
- Appraisals completed in accordance with § 4279.144.
- Commercial credit reports obtained by the lender on the borrower and any parent, affiliate, and subsidiary firms.
- Current personal and corporate financial statements of any guarantors.
- Historical, current and pro forma financial information is required on the total operation of the agricultural producer/rural small business and its parent, subsidiary, or affiliates at other locations. All information submitted under this paragraph must be substantiated by authoritative records.
- Lender's complete comprehensive written analysis in accordance with § 4280.131.

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- A certification by the lender that the borrower is eligible, the loan is for authorized purposes, and there is reasonable assurance of repayment ability based on the borrower's history, projections, equity, and the collateral to be obtained.
- A proposed loan agreement or a sample loan agreement with an attached list of the proposed loan agreement provisions.

Some of the application documentation described above do not have to be submitted to the Agency for requests of \$600,000 or less, but ~~instead can be held by the lender for in their files.~~ files is a recordkeeping requirement. These documents are: personal credit reports, appraisals, commercial credit reports, personal and corporate financial statements of guarantors, and ~~lender certification~~ by the lender that the lender has of having completed a comprehensive written analysis of the project.

Under the final rule, most of these provisions remain unchanged, except ~~that the appraisal requirements. Now,~~ that under the final rule the applicant must submit the appraisal would now be required to be submitted with the application rather than ~~being held in the lender's file just~~

including it in the applicant's records.

Loan Funding

Under the ~~REAP interim rule~~baseline program, the amount of the loan made available to an eligible project under this subpart cannot exceed 75 percent of total eligible project costs. The minimum amount of a guaranteed loan made to a borrower is \$5,000, less any program grant amounts. The maximum amount of a guaranteed loan made to a borrower is \$25 million. The maximum percentage of guarantee is:

- 85 percent for loans of \$600,000 or less;
- 80 percent for loans greater than \$600,000 up to and including \$5 million;
- 70 percent for loans greater than \$5 million up to and including \$10 million; and
- 60 percent for loans of greater than \$10 million.

The total amount of the loans guaranteed under this subpart to one borrower, including the outstanding principal and interest balance of any existing loans guaranteed by this program, and new loan request, will not exceed \$25 million. Under the ~~REAP interim rule~~baseline, the eligible project costs for RES/EEI grants apply to RES/EEI guaranteed loans. Guaranteed loans also allowed working capital and land

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acquisition.

Under the final rule, the ~~interim rule~~ program requirements reviewed above would remain unchanged.

Eligible project costs.

Under the baseline program, eligible project costs for guaranteed loans are the same as for RES/EEI grants with the addition of working capital and land acquisition.

Under the final rule, ~~under the final rule except that~~ eligible project costs for guaranteed loans include those costs identified for RES/EEI grants and add the following:

- Working capital.
- Land, building, and equipment acquisition.
- Routine lender fees.
- Energy assessments, ~~and~~ energy audits, ~~and~~
- ~~Technical reports, and~~ business plans, ~~and~~
- ~~Feasibility studies~~, except if any portion was financed by ~~Federal~~ federal or ~~State~~ state grant.
- Building and equipment for an existing renewable energy system.
- Refinancing outstanding debt ~~under certain circumstances~~ as long as the debt being refinanced is less than 50

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percent of the overall loan, refinancing is necessary to improve cash flow and viability of the project, and the loan being refinanced has been current for at least the past 12 months.

The final rule also imposes a limitation on the first four eligible cost items identified ~~The above itemized costs except for the "refinancing outstanding debt" are limited to 5 percent of the guaranteed loan amount. Refinancing is eligible project cost as long as the debt being refinanced is less than 50 percent of the overall loan, refinancing is necessary to improve cash flow and viability of the project, and the loan being refinanced has been current for at least the past 12 months.~~

Loan processing and servicing

Under the ~~REAP interim rule~~baseline program, the guaranteed loan processing and servicing provisions rely on the provisions found in the B&I Guaranteed Loan program regulations (7 CFR parts 4279 and 4287), with some differences.

For loan processing, the primary differences are associated with the guarantee fee, equity requirements, financial

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statements, personal and corporate guarantees, conditions precedent to issuance of the loan note guarantee, and reporting after project construction.

For loan servicing, the difference is under transfer and assumptions regarding documentation of request and additional loan funds.

Under the final rule, these requirements would remain unchanged under the final the same rule.

Review, Scoring, and selection of applications

Under the ~~REAP interim rule~~baseline program, guaranteed loan applications are scored just like RES/EEI grants, (except for the criteria specified in § 4280.117(c)(5)) and in paragraphs (1) and (2) below. Points are awarded for either paragraph (1) or (2), but not both.

- (1) If the interest rate on the loan ~~is to~~will be below the prime rate (as published in The Wall Street Journal) plus 1.5 percent, 5 points will be awarded.
- (2) If the interest rate on the loan ~~is to~~will be below the prime rate (as published in The Wall Street Journal) plus 1 percent, 10 points will be awarded.

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Under the final rule, guaranteed loan applications will be scored using the same criteria as for RES and EEI grant applications (except using the loan amount requested rather than the grant amount requested for one of the scoring criteria) and this results in changes to scoring as described earlier in this document. In addition, the final rule removes the two interest rate scoring criteria found in the baseline program.

~~Under the final rule, the Agency is establishing new procedures for competing guaranteed loan applications to replace the current process are established. Major features of the new procedures are:~~

- ~~• Establishing monthly National national competitions for guaranteed loan only applications;~~
- ~~• Establishing a minimum score to determine how often a guaranteed loan application will be competed. The final rule sets the minimum score at 50 points, but allows the Agency to adjust it through a notice in the Federal Register. Applications that score at or above the minimum score are eligible to compete in the monthly competitions and, if remain unfunded, are also eligible to compete in the national competition at the end of the year. Applications that score below the minimum score~~

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~~are not eligible for the monthly competitions, but are eligible to compete only in the national competition at the end of the year.~~

~~whether an application is competed monthly (only those applications that score at or above the minimum score) or only in the year end competition in September of the fiscal year;~~

- ~~• Providing procedures for making award offers when there are insufficient funds available to cover the full amount being requested.; and~~

~~Limiting the number of competitions each application can participate for funding — once a year for applications that score at or above the minimum score and one National national competition for applications that score below the minimum score.~~

Awarding Loan Guarantees

Under the ~~REAP interim rule~~baseline program, the same process used for awarding B&I guaranteed loans is used for REAP guaranteed loan applications.

Under the final rule, these requirements would remain unchanged under the samethe Agency is establishing a process specific to REAP guaranteed loans~~final rule.~~. Major

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features of this process are:

- Establishing monthly national competitions for guaranteed loan-only applications;
- Establishing a minimum score to determine how often a guaranteed-loan application will be competed. The final rule sets the minimum score at 50 points, but allows the Agency to adjust it through a notice in the Federal Register. Applications that score at or above the minimum score are eligible to compete in the monthly competitions and, if remain unfunded, are also eligible to compete in the national competition at the end of the year. Applications that score below the minimum score are not eligible for the monthly competitions, but are eligible to compete only in the national competition at the end of the year.
- Providing procedures for making award offers when there are insufficient funds available to cover the full amount being requested.

Borrower reporting after construction

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Under the ~~REAP interim rule~~baseline program, the same project performance reports identified for RES/EEI grantees apply to RES/EEI guaranteed loan borrowers.

Under the final rule, these requirements would remain unchanged under the same the final rule.

RES/EEI Combined Funding Requests

Under the ~~REAP interim rule~~baseline program, ~~as provided under the 7 CFR part 4280, subpart B,~~ applicants may submit a combined (grant and guaranteed loan) funding request.

Combined funding requests require the applicant to comply with all of the grant ~~provisions of REAP~~ and ~~all of the REAP~~ guaranteed loan provisions. These combined funding requests cannot exceed 75 percent of total eligible project costs.

Applicants whose combination applications are approved for funding must utilize both the loan guarantee and the grant.

The Agency reserves the right to reduce the total loan guarantee and grant award as appropriate.

Under the final rule, these requirements ~~would remain unchanged the same, with two exceptions.~~ First, the 75 percent limitation is based on "eligible project costs" rather

~~than on "total eligible project costs." Second, with one exception removing reference to the guaranteed loan procedures for evaluating and selecting combined funding request applications will be based only on the grant portion of the application.~~ This change was necessitated by the new procedures for evaluating and selecting guaranteed loan only applications.

Energy Audit and Renewable Energy Development Assistance (EA/REDA) Grants

Applicant Eligibility

Under the ~~REAP interim rule~~baseline program, to be eligible for an EA/REDA grant, the applicant must be

- A unit of a ~~StateStateStateStatestateState~~, tribal or local government;
- A land-grant college or university, or other institution of higher education;
- A rural electric cooperative;
- A public power entity; or
- ~~Council's, as define in the Resource and Conservation Development program; or~~
- ~~An instrumentality of a state, tribal, or local government.~~

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In addition, the applicant must have sufficient capacity to perform the energy audit or renewable energy development assistance activities proposed in the application to ensure success, ~~and~~ possess the legal authority and responsibility necessary to carry out the purposes of the grant, ~~and~~ and comply with DUNS and System for Awards Management.

Under the final rule, these requirements remain the same with the exception of the addition of Resource and Conservation Development Council as an eligible applicant (as a result of the Agricultural Act of 2014).

~~unchanged under the final rule.~~

Project Eligibility

Under the ~~REAP interim rule~~baseline program, to be eligible for an EA or REDA grant, the grant funds for the project must be used by the grant recipient to assist agricultural producers or rural small businesses located in a State in one or both of the following:

- Conducting and promoting energy audits that meet the requirements of the energy audit as defined in the final rule.
- Conducting and promoting renewable energy development assistance by providing to agricultural producers and

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rural small businesses recommendations and information on how to improve the energy efficiency of their operations and how to use renewable energy technologies and resources in their operations.

Such energy audit assistance and renewable energy development assistance must be provided to a recipient located in a ~~State~~ state and can be provided only to facilities located in rural areas, unless the owner of such facility is an agricultural producer. If the facility is owned by an agricultural producer, the facility for which such services are being provided may be located in either a rural or non-rural area. If the agricultural producer's facility is in a non-rural area, then the energy audit or renewable energy development assistance can only be for renewable energy system or energy efficiency improvement on integral components of or directly related to the ~~agricultural production~~ facility. Such projects must be, ~~and~~ part of and co-located with the agriculture production operation. Lastly, the applicant must have a place of business in a ~~state~~ State.

Under the final rule, these requirements remain the same except that the phrase "on integral components of or directly related to the facility" has been replaced with "directly related to and their use and purpose is limited to the

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~~agricultural producer's project unchanged under the final rule.~~"

Grant funding

Under the ~~REAP interim rule~~baseline program, the maximum aggregate amount of grants awarded to any one recipient under this subpart cannot exceed \$100,000. ~~A recipient of~~
~~ananananan~~The EA grant ~~must require~~requires that, as a condition of each energy audit, the agricultural producer or rural small business pay at least 25 percent of ~~the cost of~~
~~thatthatthatthatthatthe~~ energy audit cost. The amount paid by the agricultural producer or rural small business must be retained by the recipient as a contribution towards the cost of the energy audit.

Under the final rule, these requirements remain the same, except that the Agency clarified that the maximum aggregate of \$100,000 is per federal fiscal year~~unchanged under the final rule.~~

Applications

Under the ~~REAP interim rule~~baseline program, applicants may only submit one energy audit grant application and one renewable energy development assistance grant application each

~~Federal~~ federal Fiscal Year ~~Fiscal Year~~. No combination (energy audit and renewable energy development assistance) applications are accepted. Applications must contain the elements specified ~~in paragraphs (a) through (g)~~ below:

- ~~(a)~~ Form SF-424.
- ~~(b)~~ Form SF-424A.
- ~~(c)~~ Form SF-424B.
- ~~(d)~~ If applicable, a copy of the applicant's organizational documents showing the applicant's legal existence and authority to perform the activities under the grant.
- ~~(e)~~ A proposed scope of work, that includes the following: including a description of the proposed project, details of the proposed activities to be accomplished and timeframes for completion of each task, the number of months duration of the project, and the estimated time it will take from grant approval to beginning of project implementation. ~~AAAAA~~ The written narrative ~~to be used~~ to describe as the scope of work ~~which should~~ includes, at a minimum, the following items:
 - (1) An Executive Summary;
 - (2) The plan and schedule for implementation;
 - (3) The anticipated number of agricultural producers and/or rural small businesses to be served;

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- (4) An itemized budget - compute total cost per rural small business or agricultural producer served - matching funds should be clearly identified as cash;
- (5) The geographic scope of the proposed project;
- (6) Applicant's experience as follows:
 - (i) If applying for a renewable energy development assistance grant, the applicant's experience in completing similar renewable energy development assistance activities, including the number of similar projects the applicant has performed and the number of years the applicant has been performing a similar service.
 - (ii) If applying for an energy audit grant, the number of energy audits and assessments the applicant has completed and the number of years the applicant has been performing those services;
 - (iii) For all applicants, the amount of experience in administering energy audit, renewable energy development assistance, or similar activities using ~~State-state~~ or ~~Federal-federal~~ support.
- (7) Applicant's resources, including personnel,

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finances, and technology, to complete what is proposed. If an application is for projects located in multiple states, resources must be sufficient to complete all projects;

- (8) Leveraging and commitment of other sources of funding being brought to the project. Leveraged funds should be clearly identified as cash and by source. Written documentation/confirmation from the party committing a specific amount of leveraged funds is required;
- (9) Outreach activities/marketing efforts specific to conducting energy audit and renewable energy development assistance including:
 - (i) Project title;
 - (ii) Goals of the project;
 - (iii) Identified need;
 - (iv) Target audience;
 - (v) Timeline and type of activities/action plan;
and
 - (vi) Marketing strategies.
- (10) Method and rationale used to select the areas and businesses that will receive the service.
- (11) Brief description of how the work will be performed, including whether organizational staff, consultants,

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or contractors will be used.

- ~~(f)~~—The most recent financial audit (not more than 18 months old) of the applicant, or subdivision thereof, that will be performing the proposed work. If such an audit is not available, the latest financial information that shows the financial capacity of the applicant, or subdivision thereof, to perform the proposed work. Such information may include, but is not limited to, the most recent year-end balance sheet, income statement, and other appropriate data that identify the applicant's resources.
- ~~(g)~~—The applicant's Dun and Bradstreet Data Universal Numbering System (DUNS) number.

Under the final rule, some provisions ~~are~~ changed to streamline the number of items requested (i.e., scope of work and marketing and outreach plan combined), reduce the financial information requirement, and allow the applicant to certify their organizational status rather than having to provide organizational documents.

The final rule includes an application deadline (January 31 unless otherwise modified through a notice in the Federal Register), whereas the application deadline is currently

announced via a notice in the Federal Register.

All other application provisions remain ~~unchanged~~ the same as in the baseline program.

Evaluation, scoring, and selecting applications

Under the ~~REAP interim rule~~ baseline program, EA/REDA grant applications are evaluated using the same process as for RES/EEI grant applications, except that the provisions for technical merit do not apply to EA/REDA grant applications.

The Agency scores each application using the following criteria, with higher scoring applications receiving preference for funding:

- Project proposal
- Administrative Expenses
- Applicant's organizational experience in completing proposed activity
- Geographic scope of project in relation to identified need
- Number of agricultural producers/rural small businesses to be served
- Potential of project to produce energy savings and its attending environmental benefits

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- Marketing and outreach plan
- Level and commitment of other funds for the project

The two highest scoring applications from each ~~State-state~~ will be submitted to the ~~National-national~~ Office to compete for funding, with higher scoring applications receiving first consideration for funding.

Under the final rule, the Project Proposal and Use of Grant Funds for Administrative Expenses criteria were removed ~~since~~ because they did not align with statutory priorities for funding. Otherwise, these provisions remain ~~unchanged~~ the same as under the baseline program.

Awarding and administering

Under the ~~REAP interim rule~~ baseline program, EA/REDA grants are awarded in accordance with Departmental regulations and through a series of forms, very similar to the RES/EEI grants:

- Letter of Conditions
- Applicant's intent to meet conditions
- Form RD 1942-6
- Form AD-1047
- Form AD-1049
- Either Form SF-LLL or Exhibit A-1 of RD Instruction 1940-Q

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- Form RD 400-4
- Form AD-1048 (to be completed by the contractor)

For approval, the grantee must submit Form RD 1940-1, the approved scope of work, and Form RD 4280-2. The grantee must abide by all requirements contained in Form RD 4280-2, this subpart, and any other applicable federal statutes or regulations. Failure to follow these requirements may result in termination of the grant and adoption of other available remedies.

Under the final rule, the Agency awards and administers EA/REDA grants will be awarded and administered using the same procedures as for RES/EEI grants in the final rule with three exceptions:

- , except that the grantee must provide satisfactory evidence to the Agency that all officers of grantee organization authorized to receive and/or disburse ~~FederalFederalFederalfFederalFederal~~ funds are covered by such bonding and/or insurance requirements as are normally required by the grantee;
- and Form RD 400-1 is not required; and
- the power purchase agreement are-is not required.

These requirements remain unchanged under the final ~~rulerulerulerulerulerulesame, except that EA/REDA grants~~

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~~application deadline of January 31, is published in the rule but can be modified by through publishing a Notice in the Federal Register.~~

Servicing

Under the ~~REAP interim rule~~baseline program, the Agency services EA/REDA grants using the same procedures as for RES/EEI grants.

Under the final rule, Tthese requirements remain ~~unchanged under the final rule~~the same.

B. Baseline costs per applicant and awardee

Burden estimates ~~Estimates of burden~~ for applicants and awardees are broken down into the following four areas ~~categories:~~ applications; awardee documents and certifications; reporting and other servicing actions; and appeals.

Table 1a summarizes the estimated ~~baseline respondent~~ burden ~~to an applicant and awardee~~ under the final rule for REAP.

Table 1a. Estimated Respondent Burden to an Applicant and Awardee for final rule, hours per burden area

<u>REAP Assistance</u>	<u>Burden Grouping (Hours per burden area)</u>				
	<u>Applications</u>	<u>Awardee Documents & Certs</u>	<u>Awardee Reporting & Other</u>	<u>Appeals*</u>	<u>Total Number of Burden Hours</u>

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<u>EA/REDA Grants</u>	<u>27</u>	<u>11</u>	<u>26</u>	<u>0</u>	<u>64</u>
<u>RES Grant, >\$200,000</u>	<u>125</u>	<u>18</u>	<u>5</u>	<u>13</u>	<u>160</u>
<u>RES Grant, <\$200,000</u>	<u>50</u>	<u>17</u>	<u>5</u>	<u>0</u>	<u>71</u>
<u>RES Grant, <\$80,000</u>	<u>35</u>	<u>16</u>	<u>5</u>	<u>0</u>	<u>56</u>
<u>EI Grant, >\$200,000</u>	<u>85</u>	<u>17</u>	<u>4</u>	<u>0</u>	<u>105</u>
<u>EI Grant, <\$200,000</u>	<u>50</u>	<u>16</u>	<u>4</u>	<u>0</u>	<u>69</u>
<u>EI Grant, <\$80,000</u>	<u>35</u>	<u>15</u>	<u>4</u>	<u>0</u>	<u>54</u>
<u>RES Guaranteed Loan, >\$600,000</u>	<u>135</u>	<u>70</u>	<u>57</u>	<u>13</u>	<u>274</u>
<u>RES Guaranteed Loan, \$600,000 or less</u>	<u>79</u>	<u>70</u>	<u>57</u>	<u>0</u>	<u>205</u>
<u>EI Guaranteed Loan, >\$600,000</u>	<u>95</u>	<u>70</u>	<u>57</u>	<u>0</u>	<u>221</u>
<u>EI Guaranteed Loan, \$600,000 or less</u>	<u>70</u>	<u>70</u>	<u>57</u>	<u>0</u>	<u>205</u>

* Appeals. It is estimated that the burden associated with appeals is 26 hours for RES/EI Grants, as well as, RES/EI Loan Guarantees. It is anticipated that the appeal will occur on a larger project so the burden was place there, but it could occur on any one of the project thresholds.

Table 1b. Baseline Respondent Burden, hours per burden area

<u>REAP Assistance</u>	<u>Burden Grouping Hours per burden area)</u>				<u>Totals</u>
	<u>Applications</u>	<u>Awardee Documents & Certs</u>	<u>Awardee Reporting & Other</u>	<u>Appeals*</u>	
<u>EA/REDA Grants</u>	<u>27</u>	<u>11</u>	<u>26</u>	<u>0</u>	<u>64</u>
<u>RES Grant, >\$200,000</u>	<u>142</u>	<u>14</u>	<u>3</u>	<u>13</u>	<u>172</u>
<u>RES Grant, <\$200,000</u>	<u>81</u>	<u>14</u>	<u>3</u>	<u>0</u>	<u>98</u>
<u>RES Grant, <\$80,000</u>	<u>81</u>	<u>14</u>	<u>3</u>	<u>0</u>	<u>98</u>
<u>EI Grant, >\$200,000</u>	<u>118</u>	<u>13</u>	<u>2</u>	<u>0</u>	<u>133</u>
<u>EI Grant, <\$200,000</u>	<u>97</u>	<u>13</u>	<u>2</u>	<u>0</u>	<u>112</u>
<u>EI Grant, <\$80,000</u>	<u>81</u>	<u>13</u>	<u>2</u>	<u>0</u>	<u>112</u>
<u>RES Guaranteed Loan, >\$600,000</u>	<u>147</u>	<u>43</u>	<u>83</u>	<u>13</u>	<u>286</u>
<u>RES Guaranteed Loan, \$600,000 or less</u>	<u>106</u>	<u>43</u>	<u>83</u>	<u>0</u>	<u>232</u>
<u>EI Guaranteed Loan, >\$600,000</u>	<u>123</u>	<u>43</u>	<u>83</u>	<u>0</u>	<u>249</u>
<u>EI Guaranteed Loan, \$600,000 or less</u>	<u>122</u>	<u>43</u>	<u>83</u>	<u>0</u>	<u>248</u>

* Appeals. It is estimated that the burden associated with appeals is 26 hours for RES/EI Grants, as well as, RES/EI Loan Guarantees. It is anticipated that the appeal will occur on a larger project so the burden was place there, but it could occur on any one of the project thresholds.

Table 1c. Variance from Baseline Respondent Burden, hours per burden area

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<u>REAP Assistance</u>	<u>Burden Grouping Hours per burden area)</u>				<u>Totals</u>
	<u>Applications</u>	<u>Awardee Documents & Certs</u>	<u>Awardee Reporting & Other</u>	<u>Appeals</u>	
<u>EA/REDA Grants</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>RES Grant, >\$200,000</u>	<u>-17</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>-12</u>
<u>RES Grant, <\$200,000</u>	<u>-31</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>-27</u>
<u>RES Grant, <\$80,000</u>	<u>-46</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>-42</u>
<u>EEl Grant, >\$200,000</u>	<u>-33</u>	<u>4</u>	<u>2</u>	<u>0</u>	<u>-28</u>
<u>EEl Grant, <\$200,000</u>	<u>-47</u>	<u>3</u>	<u>2</u>	<u>0</u>	<u>-43</u>
<u>EEl Grant, <\$80,000</u>	<u>-46</u>	<u>2</u>	<u>2</u>	<u>0</u>	<u>-42</u>
<u>RES Guaranteed Loan, >\$600,000</u>	<u>-12</u>	<u>27</u>	<u>-26</u>	<u>0</u>	<u>-12</u>
<u>RES Guaranteed Loan, \$600,000 or less</u>	<u>-27</u>	<u>27</u>	<u>-26</u>	<u>0</u>	<u>-27</u>
<u>EEl Guaranteed Loan, >\$600,000</u>	<u>-28</u>	<u>27</u>	<u>-26</u>	<u>0</u>	<u>-28</u>
<u>EEl Guaranteed Loan, \$600,000 or less</u>	<u>-43</u>	<u>27</u>	<u>-26</u>	<u>0</u>	<u>-43</u>

Note: Negative number indicate a reduction in burden, while positive numbers indicate an increase in burden.

Applications. All entities seeking financial assistance under this program must submit certain information to the Agency in order to apply for a grant, guaranteed loan, or a combined grant and guaranteed loan request. The information submitted assists the Agency in determining the most meritorious projects to be funded.

Awardee Documents and Certifications. Applicants that are approved for funding have to submit additional documents, and certifications to the Agency. For applicants receiving loans, the necessary documents are required around loan closing. For applicants receiving grant funds, the applicant must provide

the necessary documents in order to execute the grant agreement.

Reporting and Other Servicing Actions. All applicants that are awarded funds must submit reports to the Agency to provide information on their performance. In addition, some grantees will be required to submit other documents in the event of poor performance or if servicing actions other than monitoring are warranted (e.g., transfer of ownership).

Appeals. Applicants ~~may~~will also incur burdens associated with reviews and appeals.

G. Universe of Affected Parties

The parties affected by the REAP final rule will be lenders, grantees, and borrowers. The type of applicant eligible for this program depends on the type of financial assistance being sought.

If seeking a RES/EEI grant or guaranteed loan, the applicant must be either:

- An agricultural producer or
- A rural small business.

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If seeking an EA or REDA grant, the applicant must be:

- A unit of a ~~StateStateStateStatestateState~~, tribal or local government;
- A land-grant college or university, or other institution of higher education;
- A rural electric cooperative;
- A public power entity;
- A Council~~Council~~ as defined in 16 U.S.C 3451; or
- An instrumentality of a state, tribal, or local government.

All applicants for grants or guaranteed loans that have received one or more grants or guaranteed loans under REAP must demonstrate that they have made satisfactory progress toward completion of the projects before they can be considered for subsequent funding.

Between ~~Fiscal YearsYearsYearsYear~~fiscal years~~Years~~ 2009 and 2013, ~~12,598~~13,358 applications were received, of which ~~12,437~~13,172 were for RES/EEI projects, and ~~161~~186 for EA/REDA grants (Refer to Table 2). Of the ~~12,437~~13,172 RES/EEI applications, ~~10,930~~10,501 were for grants only and ~~1,507~~2,631 were grant/guaranteed loan combined funding requests.

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Table 2. Number of Applications.

	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>Total</u>
<u>RES/EEI, Grant Only</u>	<u>1,688</u>	<u>2,838</u>	<u>3,330</u>	<u>1,384</u>	<u>1,261</u>	<u>10,501</u>
<u>RES/EEI, Guarantee Loan Only</u>	<u>3</u>	<u>6</u>	<u>12</u>	<u>10</u>	<u>9</u>	<u>40</u>
<u>RES/EEI, Combination Guarantee Loan & Grant</u>	<u>901</u>	<u>1,445</u>	<u>261</u>	<u>13</u>	<u>11</u>	<u>2,631</u>
<u>EA/REDA</u>	<u>85</u>	<u>40</u>	<u>34</u>	<u>27</u>	<u>0*</u>	<u>186</u>
<u>Total</u>	<u>2,677</u>	<u>4,329</u>	<u>3,637</u>	<u>1,434</u>	<u>1,281</u>	<u>13,358</u>

*There was no REDA/EA grant program in FY2013 due to funding not being available prior to statutory program deadline.

In terms of the types of applicants, the Agency estimates that, ~~for RES/EEI projects, all~~ applicants will be private entities, other than individuals, including sole proprietors, which were previously counted as individuals. For EA/REDA grants, the Agency estimates that ~~half of the~~ applications will ~~be from~~ evenly split between private entities, other than individuals, and ~~half from State State State State State State~~, local, and tribal governments.

Project Types

Overall, ~~8,0708,148~~ awards ~~for all funding types~~ were made from ~~Fiscal Year Year Year Year~~ fiscal year 2009 through ~~Fiscal Year Year Year Year~~ fiscal year 2013 under the REAP program (see Tables 3-2a which ~~does not include 85 EA/REDA grants~~). The majority of funding ~~was issued~~ was for grants, ~~with~~ The awards were broken down as follows:

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~~7,212 RES/EEI grants plus the 85 EA/REDA grants for 7,297 REAP grants, followed by 905 combined grants and guaranteed loan awards and 31 guaranteed loan only awards~~~~7,151 grants including 85 EA/REDA grants, followed by 891 combined grant and guaranteed loan awards and 28 guaranteed loan only awards.~~

For grants, there were ~~4,711~~4,800 EEI grant awards, ~~2,355~~2,412 RES grant awards, and 85 EA and REDA grant awards. Of the RES grant awards, the majority are for solar projects (~~1,506~~1,556), followed by wind (~~300~~314), geothermal (~~193~~226), bioenergy projects (~~193~~168), and flexible fuel pumps (~~9699~~).).

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Table 23: Award Counts for Rural Energy for America Program - RES and EEI Projects (FY 2009 through FY 2013)

Award Counts for Renewable Energy System, Energy Efficiency Improvements, and Flexible Fuel Pumps												
Funding	Wind	Biomass		Solar	Geothermal	Hydrogen	Hydropower		Hybrid	Flexible Fuel Pumps	Energy Efficiency	Total
	Wind	Bioenergy	Digesters	Solar	Electric/Direct	Hydrogen	Hydro-electric	Ocean				
USDA Loan Guarantees: 2009-2013	5	7	2	5	0	0	4	0	0	0	5	28
USDA Grants: 2009-2013	304	131	31	1,529	225	0	22	0	23	98	4,703	7,066
USDA Combo Grants and Loan Guarantees: 2009-2013	93	14	31	50	6	0	2	0	4	0	691	891
Totals	400	151	63	1,589	234	0	25	0	26	99	5,391	7,985
Award Counts for Renewable Energy System, Energy Efficiency Improvements, and Flexible Fuel Pumps												
Funding	Wind	Biomass	Solar	Geothermal	Hydrogen	Hydropower	Hybrid	Flexible Fuel Pumps	Energy Efficiency	EA/REDA	Total	

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	<u>Wind</u>	<u>Bioen- ergy</u>	<u>Digest -ers</u>	<u>Solar</u>	<u>Electr ic/ Direct</u>	<u>Hydro- gen</u>	<u>Hydro- electr ic</u>	<u>Ocean</u>					
<u>USDA Loan Guarantees: 2009-2013</u>	<u>6</u>	<u>9</u>	<u>1</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>0</u>	<u>31</u>
<u>USDA Grants: 2009-2013</u>	<u>314</u>	<u>143</u>	<u>25</u>	<u>1,556</u>	<u>226</u>	<u>0</u>	<u>25</u>	<u>0</u>	<u>24</u>	<u>99</u>	<u>4,800</u>	<u>85</u>	<u>7,297</u>
<u>USDA Combo Grants and Loan Guarantees: 2009-2013</u>	<u>95</u>	<u>22</u>	<u>27</u>	<u>51</u>	<u>6</u>	<u>0</u>	<u>2</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>699</u>	<u>0</u>	<u>905</u>
<u>Totals</u>	<u>415</u>	<u>174</u>	<u>53</u>	<u>1,613</u>	<u>232</u>	<u>0</u>	<u>31</u>	<u>0</u>	<u>27</u>	<u>99</u>	<u>5,504</u>	<u>85</u>	<u>8,148</u>

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For combined funding awards, the majority involved energy efficiency improvements (~~694699~~), with ~~199-206~~ involving renewable energy systems. Of the combined renewable energy system funding projects, ~~93-95~~ involved wind, ~~50-51~~ involved solar, and ~~31-27~~ involved anaerobic digesters.

Project size

The statutory authority stipulates that EA and REDA grants are to receive 4 percent of program funds and grants of less than \$20,000 are to receive 20 percent of funds. This leaves at least 76 percent of the budget authority for renewable energy systems and energy efficiency improvement grants, loan guarantees, and combination loan guarantees and grants.

Program Funding

The 2014 Farm Bill appropriates \$50 million for REAP in each ~~Fiscal Year~~ fiscal year. The Agency estimated the distribution of the types of project awards that funding will support. The funding distribution is based on historical distribution of REAP funds and shown below in Table 3.

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~~Table 34: Estimated typical Fiscal YearYearYearDistribution of REAP Awards Fiscal Yearfiscal yearYear program level funding distribution and REAP awards~~

FY2013	Total	Allocated to ...							
		RES/EEI Grants		RES/EEI Guaranteed Loans		Grants <\$20,000		EA/REDA Grants	
		Per-cent	Total	Per-cent	Total	Per-cent	Total	Per-cent	Total
Mandatory Funding (millions)	\$50.0	60%	\$30.2	16%	\$7.8*	20%	\$10.0	4%	\$2.0
Projects	1,383	45.6%	631	3.6%	60**	49.2%	680	1.6%	22

* Presented in budget authority.

** Include 10 combinations which are also counted under RES/EEI grants.

FY2105	Total	RES/EEI Grants		RES/EEI Guaranteed Loans		Grants <\$20,000		EA/REDA Grants	
		Per-cent	Total	Per-cent	Total	Per-cent	Total	Per-cent	Total
		Mandatory Funding (millions)	\$50.0	60%	\$30.2	16%	\$7.8*	20%	\$10.0
Projects	1,393	35.4%	494	4.3%	60**	59.0%	822	1.6%	22

* Presented in budget authority.

** Include 10 combinations which are also counted under RES/EEI grants.

5. Estimation of Costs

In this section, the Agency presents a discussion on the changes to the burden and ~~costcostcostcostcostcosts~~ changes associated with the main changes ~~affecting burden~~ described earlier in this RIA.

A. Grant applications for RES/EEI projects with total project costs of \$80,000 or less.

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Under the ~~interim rule~~baseline, there are two grant application levels for RES/EEI projects: – one for projects with total project costs of more than \$200,000 and ~~one another~~ for projects with total project costs of \$200,000 or less. The 2008 Farm Bill ~~requires~~requires the Agency to set ~~aside~~ not less than 20 percent of program funds for grants of \$20,000 or less. Thus, the Agency examined ways to create a more simplified grant application for those RES/EEI projects with total project costs of \$80,000 or less. (NOTE: ~~The~~Since the maximum grant is 25% of total project costs, ~~projects at~~projects at \$80,000 threshold ~~would be the project size to~~ would be the project size to ~~maximum grant participation for applicants seeking to take~~ maximum grant participation for applicants seeking to take ~~advantage of the~~ advantage of the ~~based on the~~ set-aside for projects seeking grants of \$20,000 or less ~~and the maximum grant portion (25 percent) that the Agency can provide of 25 percent.)~~.)

As part of the Department's retrospective review plan, the agency conducted After a ~~retrospective~~ review of the application requirements and ~~functioning of the~~ program, the Agency developed a new grant application process and forms for RES/EEI projects. These new provisions reduce the application burden for projects based on project costs, while still providing the Agency sufficient information to determine applicant and project eligibility and to evaluate and score the applications.

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~~The Agency's changes to the RES and EEI grant applications requirements and the development of application forms are intended to reduce overall burden for the program and streamline the grant application process by requesting documentation for a complete application based on total project costs.~~ Specifically, the final rule defines three grant application processes for RES/EEI projects: (1) projects with total project costs of \$200,000 and greater, (2) projects with total projects cost of less than \$200,000, but more than \$80,000, and (3) projects with total project costs of \$80,000 or less. With ~~thethethethese~~ changes, RES/EEI projects with smaller total project costs will ~~be associated with a fewerfewerfewerfewerfewer~~ have less burden and lower administrative costs.

The Agency estimates that, for the average applicant, the number of hours required to prepare a RES or EEI grant application ~~narrative and technical report~~ for a project with total project costs of \$80,000 or less would be reduced from ~~65-81~~ hours to ~~20-35~~ hours, for a ~~62-57~~ percent reduction. Assuming an average hourly rate of \$35.72 per hour (2013 median wage for a financial specialist in the US), the savings would be ~~\$1,6071,643~~ per application. ~~For an EEI application for a project with total project costs of \$80,000 or less, the Agency estimates this~~

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~~reduction is from 73 hours to 20 hours, for a 73 percent reduction. Assuming an average hourly wage rate of \$35.72 per hour, the savings would be \$1,893 per application. Please note that 25 burden hours was used for preparing technical reports on this estimate as discussed under technical reports below.~~

Table ~~4-5~~ summarizes the estimated savings to RES and EEI grant applicants for all changes associated with the application: the application narrative, adjusting the forms and certifications to be submitted with the application, simplifying the technical report, and using energy assessment instead of energy audits for all EEI projects with total project costs of \$80,000 or less.

Table 4. Estimated Application Savings for RES and EEI Grant Applications for Projects with Total Project Costs of \$80,000 or less

Item	RES Grant Applications	EEI Grant Applications	
Burden under REAP Interim Rule the baseline , hours per application	9181	107-97 (with Energy Audit under Interim Rule baseline)	99-81 (with Energy Assessment under Interim Rule baseline)
Estimated burden under the Final Rule, hours per application	3335	3335	3335
Burden savings, hours per application	5846	7462	6646
Cost savings per application	\$2,072 \$1,643	\$2,643 \$2,215	\$2,358 \$1,643

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NOTE 1: Burden hours from tables 1a and 1b.

* Energy Audit account for 16 burden hours and was required for baseline projects with total project costs of \$50,000 or greater.

** Cost savings based on \$35.72 per hour (as used in the burden package)

B. Grant Forms After Receiving Funding

The Agency's focus was to reduce the application burden for applicants looking to utilize the program, especially for smaller sized projects. The Agency has~~Certain items and forms were identified certain forms that do not need to be submitted at the time of application for an RES or EEI grants~~ as elements that were more appropriate ~~to be~~ addressed by the applicant time of award versus time of application., ~~but are more appropriately required only if the applicant is awarded funding. While this is in part a shift of burden from application to award, there would be a net decrease in the burden per application because there are fewer awardees than applicants,,,,,.~~ This modification to the baseline provision will result in an overall reduction in burden for non-awardees. ~~so fewer entities would incur the cost of preparing these forms.~~ As Table 1c indicates, there is an increase in burden to awardees documents and certifications from the baseline. This increase reflects those items that are more appropriately addressed at that time and it assist in reducing the burden during the application phase.

~~Under the interim rule, rulebaseline, for projects greater than \$200,000 the estimated applicant form burden to applicants for submitting the specified forms is 11.6 hours per applicant and the estimated burden for awarded applications to awardees for~~

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~~submitting the specified grantee forms is 6.5 hours per awardee. Thus, the estimated total form burden to anfor an applicant who receives an award under the interim rulerulerulerulerulebaseline is 18.1 hours.~~

~~Under the final rule, for projects greater than \$200,000 per the estimated applicant form burden to applicants for submitting the specified forms is 10.3 hours per applicant and the estimated burden totototofor awarded applicationsto awardees for submitting the specified grantee forms is 7.8 hours per awardee. Thus, the estimated total form burden to for an applicant who receives an award under the final rule is also 18.1 hours. However, the estimated burden for filling out forms at the application stage is 1.3 hours less, which further reduces the burden to applicants who do not receive an award.~~

C.—Technical reports.

The ~~interim rulerulerulerulerule~~baseline requires very specific information for different technologies. The information being requested, however, is not always needed for the Agency to make a determination of a project's technical feasibility. In addition, the Agency split several technologies by size, which upon review, the Agency has determined ~~basedbasedbasedbaseditbased on its~~experience is not important for determining a project's technical

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feasibility. In sum, ~~using its experience in implementing the program,~~ the Agency is ~~proposing~~ finalizing numerous changes to the technical reports, which will reduce the ~~result~~ applicants ~~incurring less burden when submitting~~ ~~their~~~~their~~~~their~~~~their~~~~their~~for RES/EEI grant or loan applications.

These changes including, but not limited to:

- ~~simplifying~~~~simplifying~~~~simplifying~~~~simplifying~~~~simplifying~~ simplifying the energy efficiency improvement technical report;
- ~~simplifying~~~~simplifying~~~~simplifying~~~~simplifying~~~~simplifying~~ Simplifying the technical report for renewable energy system projects with total project costs of less than \$200,000, but more than \$80,000;
- ~~revising~~~~revising~~~~revising~~~~revising~~~~revising~~ R~~evising~~ provisions associated with what is required for an energy assessment and an energy audit;
- ~~providing~~~~providing~~~~providing~~~~providing~~~~providing~~ P~~roviding~~ for a single technical report option for renewable energy systems submitted through the process for applications for projects with total project costs of less than \$200,000, but more than \$80,000; and
- ~~eliminating~~~~eliminating~~~~eliminating~~~~eliminating~~~~eliminating~~ E~~liminating~~ the distinction between large and small solar and wind projects in preparing the technical reports.

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All of the changes to the technical report requirements ~~are expected to~~should reduce applicant burden. The burden package for the ~~interim rule~~baseline estimated the number of hours that it would take the applicant to complete the technical report for “full” applications (i.e., applications for projects with total project costs of \$200,000 and greater) and for “simplified” applications (i.e., applications for projects with total project costs of less than \$200,000).

Under the ~~interim rule~~baseline, the ~~Agency's estimated the burden estimate~~ for preparing the RES and EEI project technical reports ~~at is~~ 25 hours ~~per technical report for RES and EEI projects for both the~~ full and simplified applications. Under the final rule, the ~~Agency's burden estimates that the burden~~ for ~~preparing technical reports projects with total~~ project costs ~~of more greater than~~ \$200,000 ~~would be~~ is 25 hours per RES ~~and EEI~~ technical reports. ~~and 20 hours per EEI technical report.~~ For ~~projects with total~~ project costs ~~between of~~ \$200,000 ~~or less but more than~~ \$80,000 ~~and~~ \$200,000, the ~~Agency's burden estimates that the burden~~ to prepare ~~either~~ a RES or ~~an~~ EEI technical report ~~would be~~ is 20 hours.

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Assuming an average hourly wage rate of \$35.72 per hour, the savings would be \$179 per technical report for all applications, with the exception of except for RES applications ~~for projects with total~~ project costs ~~of~~ \$200,000 ~~and or~~ greater, because the requirements are the same ~~for which no saving is estimated~~ under the final rule. Table ~~5-6~~ summarizes the technical report estimates of savings for applications for projects with total project costs of more than \$80,000.

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Table 56. Estimated Technical Report Savings for RES and EEI Grant and Loan Applications for Projects with Total Project Costs of More than \$80,000

<u>Item</u>	<u>Applications for Projects with Total Project Costs \$200,000 and greater</u>		<u>Applications for Projects with Total Project Costs of less than \$200,000, but more than \$80,000</u>		<u>Applications for Projects with Total Project Costs of \$80,000 or less</u>	
	<u>RES</u>	<u>EEI</u>	<u>RES</u>	<u>EEI</u>	<u>RES</u>	<u>EEI</u>
<u>Burden the baseline program, hours per application</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
<u>Estimated burden under Final Rule, hours per application</u>	<u>25</u>	<u>25</u>	<u>20</u>	<u>20</u>	<u>0</u>	<u>0</u>
<u>Burden savings, hours per application</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>25</u>	<u>25</u>
<u>Cost savings per application</u>	<u>\$0</u>	<u>\$0</u>	<u>\$179</u>	<u>\$179</u>	<u>\$893</u>	<u>\$893</u>

NOTE: For applications for projects with total project costs of \$80,000 or less the technical report is part of the application narrative eliminating a separate formal technical report.

D. Pre-commercial technology.

The current renewable energy system program allows the Agency to provide financial assistance to project employing pre-commercial technology and to projects employing commercial technology.

While the vast majority of renewable energy system projects funded under REAP have been for those employing commercial technology, there is a possible overlap between the Section 9003, Biorefinery Assistance Program, with REAP as it concerns pre-

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commercial technology. The risk associated with pre-commercial technology is greater as well and for these reasons, the Agency is removing pre-commercial technology as an eligible technology under REAP, thereby limiting REAP assistance for renewable energy systems employing commercially available technologies.

The Agency has not quantified any expected change in the cost of administering REAP as a result of this change. In addition, the Agency does not expect this change to have a significant effect on the subsidy rate; however, to the extent that risk has been lowered to loans for pre-commercial technologies, the portfolio of loans should be strengthened.

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E. Federal Government

The Agency estimates that it will spend approximately \$4 million less (See Table 7) to process and administer REAP applications and awards under the final rule compared to under the ~~interim-~~rule.~~rule~~baseline program.

Table 7. Estimated Cost to the Federal Government

	<u>Baseline Cost to Federal Government</u>	<u>Estimated Final Rule Cost to the Federal Government</u>	<u>Estimated Cost Savings</u>
<u>Number of Hours: Guaranteed Loans</u>	<u>30,274</u>	<u>2,639</u>	<u>27,635</u>
<u>Number of Hours: Grants</u>	<u>141,160</u>	<u>85,013</u>	<u>56,147</u>
<u>Number of Hours: Total</u>	<u>171,434</u>	<u>87,652</u>	<u>83,782</u>

	<u>Baseline Cost to Federal Government</u>	<u>Estimated Final Rule Cost to the Federal Government</u>	<u>Estimated Cost Savings</u>
<u>Dollar Cost: Guaranteed Loans</u>	<u>\$1,271,508</u>	<u>\$110,838</u>	<u>\$1,160,670</u>
<u>Dollar Cost: Grants</u>	<u>\$6,625,920</u>	<u>\$3,570,552</u>	<u>\$3,055,368</u>
<u>Dollar Cost: Total</u>	<u>\$7,897,428</u>	<u>\$3,681,390</u>	<u>\$4,216,038</u>

Note: The average hourly rate applied was \$42 an hour for both the baseline and the final rule. That rate is based on the fact that reviews are completed by GS 11-12 State Loan Specialists.

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This represents over a 55 percent decrease in total costs. While the main reason for the decrease is related to the review of 43 percent fewer applications which is due to the reduced funding, the Agency will also save over \$800,000 attributable to the reduce costs associated with RES and EEI grant applications review, with the largest decrease associated with applications for projects with total project costs of \$80,000 or less.

Specifically, the Agency estimates that it would take approximately 83,782 fewer hours under the final rule to review and process RES/EEI grant applications than under the ~~interim-rule~~baseline program. This reduction is achieved by requiring 10 fewer hours per application on grant applications for projects with total project costs of \$80,000 or less and 5 fewer hours grant applications with total project cost between \$80,000 and \$200,000. These reductions are attributed to the reduced amount of information requested.

An example is the Agency reduced the amount of information requested in a technical report for the smaller projects to the critical information needed to determine technical merit. Under the ~~current-interim-rulerulerulerulerule~~baseline program the Agency, or contractor, reviews and scores all 10 sections of the technical report. The scoring, or technical merit determination, required the reviewer to assign a quantitative value to each

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section from no significant weaknesses, and exceeds the requirements to having serious deficiencies, internal inconsistencies, or is missing information. The revised technical report ~~have~~ has 4 sections and technical merit determination is either a pass, with information is presented and ~~is~~ consistent, or ~~fail~~, fails, with information ~~is~~ missing or inconsistent.

F. Summary of Cost Savings

Table ~~6-78~~ 678 summarizes the cost changes per type of RES/EEI application.

Table ~~678~~ 678. Cost Changes for RES/EEI Grants²

Item	GRANT APPLICATIONS						
	Applications for Projects with Total Project Costs \$200,000 and Greater		Applications for Projects with Total Project Costs less than \$200,000, but more than, \$80,000		Applications for Projects with Total Project Costs of \$80,000 or less		
	RES	EEI	RES	EEI	RES	EEI	EEI
Burden under REAP Interim Rule, the baseline REAP program,	153142	129118	9181	10797	9181	10797 ; with energy audit	9981 ; no energy audit

²There are several relatively minor grant application changes that are not accounted for in the changes described in the RIA for projects with total project costs greater than \$80,000, but are accounted for in Table ~~678~~ 678.

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Item	GRANT APPLICATIONS						
	Applications for Projects with Total Project Costs \$200,000 and Greater		Applications for Projects with Total Project Costs less than \$200,000, but more than, \$80,000		Applications for Projects with Total Project Costs of \$80,000 or less		
	RES	EEI	RES	EEI	RES	EEI	EEI
hours per grant application							
Estimated burden under Final Rule, hours per grant application	<u>123125</u>	<u>7885</u>	<u>5350</u>	<u>5350</u>	<u>3335</u>	<u>3335</u>	<u>3335</u>
Burden savings, hours per grant application	<u>3017</u>	<u>5133</u>	<u>3831</u>	<u>5447</u>	<u>5846</u>	<u>7462</u>	<u>6646</u>
Cost differences per grant application	- <u>\$1,072</u> <u>-\$607</u>	-\$1,822 <u>\$1,179</u>	- <u>\$1,357</u> <u>=</u> <u>\$1,107</u>	- <u>\$1,929</u> <u>=</u> <u>\$1,679</u>	- <u>\$2,072</u> <u>=</u> <u>\$1,643</u>	- <u>\$2,643</u> <u>=</u> <u>\$2,215</u>	- <u>\$2,357</u> <u>=</u> <u>\$1,643</u>

GUARANTEED LOAN APPLICATIONS ³				
Item	Guaranteed Loans >\$600,000		Guaranteed Loan < <u>\$600,000</u>	
	RES	EEI	RES	EEI
Burden under <u>the baseline REAP program</u> , hours per loan application	147	123	106	123

3 Overall, there are only a few minor changes to the application requirements for RES/EEI guaranteed loans. The most significant change occurs for loan applications of less than \$200,000 for EEI projects. This change is due to a requiring an energy assessment rather than the more burdensome energy audit.

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GUARANTEED LOAN APPLICATIONS				
Item	Guaranteed Loans >\$600,000		Guaranteed Loan <\$600,000	
	RES	EI	RES	EI
Estimated burden under Final Rule, hours per loan application*	135	95	79106	79106
Burden difference, hours per loan application	12	28	270	4317
Cost difference per loan application	\$429	\$1,000	\$9640	\$1,536607

* Note: Guaranteed Loans of <\$600,000 for estimated burden under the final rule is a weighted average of the different application threshold requirement for total projects costs of >\$200,000, <\$200,000 and <\$80,000K

6. Estimation of Benefits

Changes to the application and eligibility criteria for REAP are not anticipated to have significant changes in the types of benefits achieved by the program. As such, this rule is not expected to result in any new benefits that would not have been achieved under the previous-current REAP provisions.

~~In this RIA, the Agency is providing additional discussion, to supplement the interim rule's RIA. This additional discussion, which applies to REAP at the program level as a whole instead of a discussion of the and not to any incremental changes between~~

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~~the final rule, rule, rule, rule, rule, baseline REAP program and the interim rule, rule, final rule.~~ The following discussion addresses:

- ~~• Estimation of energy saved and carbon pollution reduced achieved in FY2015 as a result of the REAP rule~~
- ~~• Updating the distribution of energy sources feeding the U.S. electrical grid~~
- ~~• Discussion on the impacts of wind projects on bat populations~~

~~Estimate of Energy Saved and Carbon Pollution Reduced. When operational, the Fiscal Year, Year, Year, Year, Fiscal year, Year 2009 through 2013 REAP awards are expected to generate and/or save an estimated 9.2 million megawatt hours of energy and reduce GHG emissions by an estimated 8.8 million metric tons of CO₂ equivalence. Based on typical Fiscal Year, Year, Year, Year, Fiscal year, Year appropriation of \$50 million, REAP is expected to award per year approximately 1,361 renewable energy system and energy efficiency improvement projects to generate and/or save almost 973,000 megawatt hours of energy and reduce GHG emissions by an estimated 930,000 metric tons of CO₂ equivalence. These estimates include over 528 RES projects that generate almost 535,000 megawatt hours and reduce GHG by 511,000 metric tons and 790 EEI projects that save over 438,000 megawatt hours and reduce~~

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~~GHG emissions by almost 419,000 metric tons of CO₂ equivalence annually.~~

~~U.S. Electricity Grid. The U.S. electrical grid in 2011 is was primarily comprised of fossil sourced energy, with coal accounting for 42 percent and natural gas 25 percent of the U.S. electric power net generation. The remainder of grid electricity is generated predominantly by nuclear power (19 percent) and large hydroelectric (8 percent), with small contributions from renewable power (5 percent), petroleum (<1 percent), and other fuels (<1 percent).⁴ The composition of the U.S. electrical grid varies considerably as a result of regional differences in power generation sources.~~

~~Impact of Bat Populations~~

~~One of the most publicized impacts of wind turbines is bird strikes. However, for the agricultural industry, the impact on bats is likely to be of more concern because bats are important pollinators and consumers of large quantities of insects. Wind turbines are associated with the loss of bats due to blade strikes and barotrauma caused by air pressure differences as the blade moves through the air. Such adverse effects can be~~

~~⁴U.S. Energy Information Administration, U.S. Department of Energy (2011) Electric Power Annual 2011. http://www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_1_1~~

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~~expected to the extent wind turbines funded under REAP are placed near agricultural interests. These effects for wind turbines funded under REAP are mitigated to some extent because compared to other commercial wind turbines REAP-funded wind turbines are smaller and occur singly or in pairs at a site and the effects upon birds and bats are not at the population level in general. In addition, the Agency consults with the U.S. Fish and Wildlife Service and State state wildlife agencies to ensure that any turbine is not close to bat hibernacula, which might adversely affect bat populations.~~

7. Net Benefits

~~As stated earlier, the estimate, the types of of~~
~~benefitsbenefitsbenefitsbenefitsnet benefits~~ under the final rule
~~is rulemaking~~ are not expected to differ significantly from those
 that ~~would have occurred~~ under the current program
~~provisionsinterim rule for REAP. However, the. However, .~~
~~However, theHowever, theREAPcurrent REAP program, due to a~~
reduction in burden associated with the application process under
the final rule, there will be a net savings afforded to
 applicants and to the federal government as a result of
 streamlining and reduced burden resulting in a net benefit. ~~will~~
~~result in positive an increase the net benefits.~~

Using the estimate of cost changes per respondent and the
 estimate of the number of respondents affected by this
 rulemaking, the net benefits of this rule are estimated to be
 approximately \$10.3-43 million in ~~Fiscal YearYearYearYearFiscal~~
~~yearYear~~ 2015 (see Table 789).

Table 789. Comparison of RES and EEI Respondents Costs between
~~Interim RuleRuleRuleRuleRule~~ Baseline and Final Rule

	Interim RuleRuleRuleRuleR ule <u>Baseline*</u>	Final Rule**	Difference
RES/EEI Grants	\$12,442,4339,674, <u>773</u>	\$3,037,9303,068,9 <u>473,078,753</u>	- \$9,404,5039,373,4 <u>866,596,020</u>
RES/EEI	\$1,193,846249,326	\$317,988254,414	- \$875,858939,432\$5

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Guaranteed Loans			<u>,088</u>
<u>RES/EEI Grant/Guaranteed Loan Combinations</u>	<u>\$3,712,179</u>	<u>\$61,284</u>	<u>-\$3,650,895</u>
EA/ REDA	\$150,073	\$90,435 <u>89,106</u>	-\$59,638 <u>60,967</u>
Totals	\$13,786,352	\$3,446,353 <u>33,412,463</u> <u>673,483,557</u>	- \$10,399,999 <u>10,373,785</u> <u>10,302,794</u>

* ~~Baseline RES/EEI grants~~ Respondent Cost = hours per respondent x number of ~~RES/EEI respondents~~ x \$35.7260.00 per hour

** Final Rule Respondent Cost = hours per respondent x number of respondents x \$35.72 per hour

In addition, changes to the RES/EEI application provisions ~~is~~are ~~estimated~~estimate to reduce the burden to the ~~Federal~~Federal~~Federal~~Federal~~Federal~~Federal government, in reviewing the applications and making technical merit determinations, by approximately ~~\$1.14.0~~ million, or a 30-53 percent reduction (Refer to Table 7).

8. Distribution Effects

The REAP rule will result in economic impacts with ~~both~~ ~~immediate~~, short-term ~~effects~~ and long-term benefits. The changes being made by the final rule do not affect the size or nature of these impacts. ~~Thus, the discussion found in the RIA for the interim rule is not repeated in this RIA. However,~~ ~~the~~~~the~~~~the~~~~the~~~~the~~~~the~~ The REAP rule does result in subsidy distribution effects, ~~which were not discussed in the RIA for the interim rule.~~ The following discussion on subsidy implications, which applies to REAP at the program level, as a whole and not to any incremental changes between the final rule and the interim rule, is presented below ~~to supplement the RIA for the interim rule.~~

Economic Analysis

Farm Bill Mandatory ~~mandatory~~ and Discretionary ~~discretionary~~ grant and loan guarantee amounts for fiscal years 2014 and 2015 are given in the 2015 President's Budget Pro Sum. Projected mandatory loan levels for fiscal years 2016 through 2018 are established by the policy of growing the loan program \$50 million each year after fiscal year 2015. An economic analysis detail in Table 9108a shows the net present value (NPV) of these funds using a 3 percent discount equals \$160.5159 million for grant funds and \$884725.49 for guaranteed loans funds. The same funds have a NPV of \$149.43 million for grant and \$807.7662.5 million

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for guaranteed loan using a 7 percent discount in table 9108b.

Table 8a9a10a.

3% Discount	Farm Bill Funds (Mandatory)		Discretionary Funds	
	Grant	Guaranteed Loan	Grant	Guaranteed Loan
FY 2014	\$40,000,000 \$25,000,000	\$94,517,958 \$91,141,700	\$0	\$12,760,000
FY 2015	\$38,271,845 \$39,368,932	\$97,087,379 \$97,087,379	\$4,854,369 \$4,854,369	\$45,882,000
FY 2016	\$32,170,798 \$33,768,498	\$141,389,386 \$141,389,386	\$2,356,490 \$4,712,980	\$22,273,000
FY 2017	\$26,392,685 \$28,460,906	\$183,028,332 \$183,028,332	\$2,287,854 \$4,575,708	\$21,624,000
FY 2018	\$22,212,176 \$22,212,176	\$209,944,955 \$235,049,484	\$2,221,218 \$4,442,435	\$20,994,000
TOTAL 5 year NPV	\$159,047,505 \$148,810,512	\$725,968,010 \$747,695,580	\$11,719,930 \$18,585,492	\$123,534,000
Annualized value	\$34,726,529.41 \$32,491,378	\$158,508,299.11 \$163,252,310	\$2,558,936.78 \$4,705,968	\$26,972,000

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Table ~~8b9b10b.~~

	Farm Bill Funds (Mandatory)		Discretionary Funds	
7% Discount	Grant	Guaranteed Loan	Grant	Guaranteed Loan
FY 2014	\$40,000,000 \$25,000,000	\$94,517,958 \$91,141,700	\$0 \$0	\$12,760,000 \$12,760,000
FY 2015	\$36,841,121 \$37,897,196	\$93,457,944 \$93,457,944	\$4,672,897 \$4,672,897	\$44,167,270 \$49,448,648
FY 2016	\$29,810,464 \$31,290,942	\$131,015,809 \$131,015,809	\$2,183,597 \$4,367,194	\$20,638,911 \$46,213,689
FY 2017	\$23,542,031 \$25,386,864	\$163,259,575 \$163,259,575	\$2,040,745 \$4,081,489	\$19,288,702 \$43,190,364
FY 2018	\$19,072,380 \$19,072,380	\$180,268,245 \$201,782,413	\$1,907,238 \$3,814,476	\$18,026,824 \$40,364,826
TOTAL 5 years NPV	\$149,265,996 \$138,647,383	\$662,519,532 \$680,987,459	\$10,804,477 \$16,936,056	\$114,881,708 \$191,977,527
Annualized value	\$36,406,340.58 \$33,781,643.5	\$161,590,129.70 \$161,590,129.70	\$2,635,238.23 \$4,130,745	\$28,019,928.86 \$46,782,787

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A subsidy rate of ~~9.45~~10.58 percent is used for fiscal years 2015 and beyond. The mandatory grant amount is then the balance of the \$50 million less the budget authority required to support the desired loan level for each year. Fiscal year 2018 ~~is~~ assumes an equal balance of \$25 million mandatory grant and \$25 million in mandatory loan guarantee budget authority.

Discretionary funds are assumed to be \$10 million equally split between grant and loan guarantee assuming the ~~9.45~~10.58 percent subsidy rate. This would provide program levels of \$5 million for grants, and ~~\$47~~52 million for loan guarantees totaling the ~~\$57~~2 million in program level for FY 2015.

Subsidy ImplicationsProgram Benefits

REAP provides a grant of up to \$500,000 or 25 percent of ~~total~~ eligible project costs (∓EPC) (whichever is less) for renewable energy systems and up to \$250,000 or 25 percent of ∓EPC (whichever is less) for energy efficiency improvements. REAP also provides loan guarantees of up to \$25 million or 75 percent of ∓EPC for both renewable energy systems and energy efficiency improvements. A REAP grant and loan combination may not exceed 75 percent of ∓EPC. While REAP recipients are the direct beneficiaries of the program subsidy, the benefits to other

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program participants, albeit indirectly, are no less significant.

The indirect beneficiaries of REAP include the many technology providers of renewable energy systems (i.e., wind, solar, geothermal, biomass, etc.) and energy efficiency improvements (grain dryers, reverse osmosis filtration, poultry house heating, irrigation pumps, etc.), lenders (particularly for projects with total eligible costs of \$200,000 and greater), energy service suppliers (such as project engineers, energy auditors, feasibility service providers), as well as local and state governments. The energy generated or saved from REAP RES-EEI projects add value to recipient rural small businesses and to agricultural producer operations and increase the local and state tax base commensurately.

Project matching funds have both a positive wealth effect and an environmentally beneficial substitution effect on rural communities. Collectively as leveraged investments, matching funds create a multitude of secondary and tertiary employment opportunities, business startups in rural areas, and serve as incubators to new green technologies which offset fossil fuel use and reduce GHG emissions.

REAP program impacts are broadly diffused by the allocation

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distributed to each state and province. REAP also authorizes (State Directors and the Administrator) the use of (up to 10) Administrative Discretionary Priority Points in cases where the application is for an under-represented technology, would help achieve geographic diversity, the applicant is a member of an under-represented or under-served population, furthers an agency goal, or the proposed project is located in an impoverished area, has experienced long-term population decline, or loss of employment. The intent of these measures is to ensure that REAP investments are broadly distributed across the entire U.S.

Program benefits, leveraged funds, and the use of the ~~State-state~~ Aallocation and Administrative Points work together to ensure that the REAP subsidy benefits accrue broadly and more or less proportionately across all program participants: recipients, technology providers, lenders, service providers, and ultimately to local rural communities and state governments.

Anticipated Subsidy ~~Model~~ Implications.

The subsidy rate is primarily affected by two major cash flow streams - cash inflow and cash outflow. ~~The REAP interim-
ruleruleruleruleruleprogram contains provisions that affect both
the expected cash inflows and outflows. Several provisions are
intended to help reduce cash outflow associated with loan-~~

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~~defaults and loss payments. The changes in the REAP final rule do not affect the subsidy model used for the interim rule. The program, which was discussed at length in the RIA for the interim final rule, which can be found . For a discussion on the REAP rule on the subsidy model, please see the RIA for the interim rule.~~

~~Anticipated Subsidy Model Implications~~

The Rural Energy for America Program contains provisions that affect both the expected cash inflows and outflows. The effect of these provisions on the subsidy rate of the Rural Energy for America Program is presented qualitatively and has not been quantified.

Cash Inflow

The basic relationship between cash inflow and subsidy rate is as cash inflow increases, the subsidy rate decreases; as it decreases, the subsidy rate increases. The Rural Energy for America Program provides two mechanisms for generating cash inflow - the guarantee fee and the annual renewal fee.

Guarantee fee. The Rural Energy for America Program allows the Agency to collect a one-time, upfront fee for each loan guarantee. Under REAP, the guarantee fee will be identified by RD each fiscal year in a Federal notice.

Renewal fee. The Rural Energy for America Program also allows for the collection of an annual renewal fee. As for the

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guarantee fee, the annual renewal fee will be identified by RD each fiscal year in a Federal notice.

Thus, the subsidy rate of the Rural Energy for America Program will be affected based on the level of fees collected, with higher fees resulting in a lower subsidy rate (all other things being equal) by increasing the cash inflow.

Cash Outflow

The basic relationship between cash outflow and subsidy rate is as cash outflow increases, the subsidy rate increases; as it decreases, the subsidy rate decreases. There are several provisions (e.g., associated with collateral and loss resulting from transfer) in the Rural Energy for America Program that are expected to control and reduce cash outflow as affected by loan defaults and net loss claims paid. On an individual basis, each provision is expected to have a relatively small effect on the overall subsidy rate.

Summary

The subsidy rate is primarily affected by two major cash flow streams - cash inflow and cash outflow. The effect of the Rural Energy for America Program on cash inflow will depend on the implementation of both the guarantee fee and annual renewal fee and at what levels. Several provisions are intended to help reduce cash outflow associated with loan defaults and loss payments.

9. Summary

REAP, section 9007 of Title IX of the 2008 Farm Bill, is part of a series of 2008 Farm Bill sections designed to encourage the development of renewable energy. Under REAP, the Agency provides grants, loan guarantees, and combined grants and loan guarantees for RES and EEI projects; ~~grants for RES feasibility studies;~~ and grants for EA and REDA. Eligible applicants for RES/EEI and feasibility study financial assistance are agricultural producers and rural small businesses. For EA and REDA grants, eligible entities are units of a ~~StateStateStateStatestateState~~, tribal or local government; land-grant colleges and universities, and other institution of higher education; rural electric cooperatives; public power entities; Resource Conservation and Development Councils and instrumentalities of a state, tribal, or local government.

For ~~Fiscal YearYearYearYear~~Fiscal yearYear 20142015, the Agency estimates that approximately ~~835-1,311~~1,393 REAP awards will be made: ~~325-438~~487 RES awards, ~~485-873~~884 EEI awards, ~~15-~~feasibility study awards, and ~~10-22 EA/REDA awards. Of the RES awards, the vast majority are expected to be associated with solar, followed by wind and biomass projects. Few guaranteed loan only awards are anticipated to be made. The awardees are~~

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expected to be mostly businesses, including sole proprietors, who were previously counted as individuals, with relatively few ~~StateStateStateStatestateState~~, local, and tribal government entities.

This RIA calculates a net costs savings due to improvements in the implementation of the REAP program. It is not expected that the benefits from the REAP program will change under the streamlined procedures in the final rule, and so the net benefits achieved by the rule are attributed only to the decreased cost~~net savings~~ estimated for the changes in program implementation. ~~Because these changes are not expected to affect the nature and size of the environmental and energy impacts of the REAP program, this RIA provides some additional information on environmental and energy impacts to supplement the discussion on these impacts found in the RIA for the interim rule. This additional information applies to REAP as a whole and not to any incremental changes between the final rule and the interim rule.~~ While there are expected to be job benefits from REAP funding, these jobs were not quantified.