

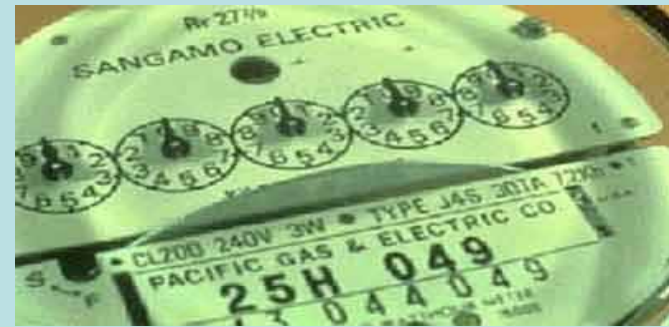
# Updates on Net Metering and Funding Opportunities for Small Wind Projects

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# Several ways to help make small wind projects work financially

- Net metering
- Farm Bill 9006 Renewable Energy grants
- Farm Bill 9006 Renewable Energy guaranteed loans
- Value-Added Grant Program (federal)

# Net-metering for Grid-Connected Systems



- **Michigan Public Service Commission announced March 29, 2005**
- **Not a state law – voluntary program**
- **Pertains to small systems: less than 30kW rating, or consumers' electricity demand; whichever is lower**

# Net Metering....

- **Creates three different types of energy to be considered:**
- **1) Energy from utility to consumer – billed as usual**
- **2) Energy produced by consumer and used by consumer – no bill**
- **3) Energy produced by consumer and delivered to utility – consumer is credited for retail value of energy, less distribution/transmission charge – typically \$.03 - \$.06/kWh, depending on utility**
  - (NEG, net excess generation)

- **NEG credited monthly allowed to roll over until end of 12 months – then utility keeps the full credit of remaining NEG.**
- **Depending on power costs and utility NEG credit, could be a very good system for small wind generators**
- **Need to check with local utility for interconnection and application**

- For more information on Net Metering, go to the Michigan Public Service Commission website:
- <http://www.michigan.gov/mpsc/>
- Click on “Renewable Energy” then click on “Net Metering”



## 2002 Farm Bill Initiative: The Renewable Energy and Energy Efficiency Program

USDA Farm Bill Section 9006

- Created as a U.S. Department of Agriculture program through 2002-2007
- Program designed to assist farmers, ranchers and rural small businesses with energy projects
- In 2003 and 2004, a total of \$44 million in grants were awarded to 281 projects in 33 states.
- Grants: USDA released a Notice of Funds Availability (NOFA) for up to \$22.6 million
  - \$11.3 million definite, remaining potential up to another \$11.3 million after loan guarantee program.
  - Rolling application deadline – first round begins in December, 2005

# Purpose



- Purchase renewable energy systems

*(A process that produces energy)*

- Improvements to a facility or process that **reduce** energy consumption

# What Farmers and Ranchers Are Eligible?



- Demonstrated financial need
- Must **directly** engage in production of agricultural products.
- At least **50%** of gross income must be from their agriculture business.

# Demonstrated Financial Need

- Applicant needs to show that he/she is unable to finance the project from own resources or other funding sources without the grant
- USDA says a letter from a bank stating they will not fund a loan without grant funds is sufficient

# Matching funds

- Essentially the applicant needs to come up with 75% match for project costs
- Can be own funds, loan, other grant/loan program
- Can't be other federal funds
- Limited 3<sup>rd</sup> party in-kind contributions are allowed – limit of 10% of the matching fund requirement

# Matching Funds, cont.

- Applicant in-kind can't be used to meet matching fund requirement
- Recipients are NOT authorized to construct the facility, project or improvement in total, or in part, or use their own personnel and/or equipment.  
(should be a turn-key situation)

# What Small Businesses are Eligible?

- Proposed project in a rural area.
- Demonstrated financial need (grants only)
- Meets the definition of a small business according to SBA (<http://sba.gov/size/index.html> use the “NAICS search” option)
- A private entity including a sole proprietorship, partnership, corporation, a cooperative, and an electric utility

# What projects are eligible?

- The project must be for the purchase of a renewable energy system or energy efficiency improvement.
- Pre-commercial or commercially available and replicable technology.
- Technically feasible
- Located in a rural area
- Applicant must be owner of the system
- Adequate revenues for O&M

# What are Eligible Costs?

- **Post application purchase & installation of equipment**, except agricultural tillage equipment and vehicles.
- **Post application construction or project improvements**, except residential.
- **Energy audits or assessments**
- **Permit fees**
- **Professional service fees**, except for application preparation.
- **Feasibility studies**
- **Business plans**
- **Retrofitting**
- **Construction of a new facility** – same purpose, same size, provides more energy savings than improving an existing facility

# Ineligible Costs

- Capital leases
- Residential Improvements
- Ag Tillage equipment
- Vehicles
- Preparation of the grant application
- Land acquisition (eligible under loan)
- Working capital (eligible under loan)

# Ineligible costs, continued...

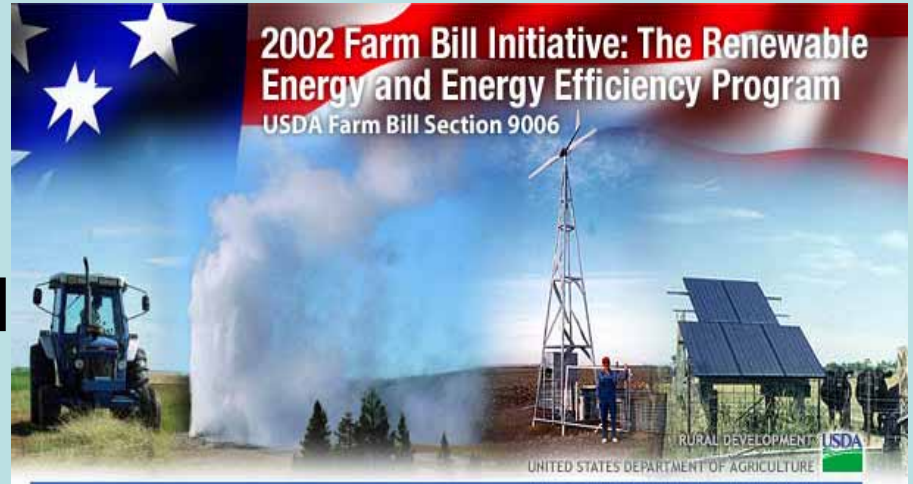
- Waste collection
- Funding of political or lobbying activities
- Operation, maintenance, routine repairs or fuel cost
- Production, collection and transportation of energy inputs
- Costs paid prior to application being received by USDA/Rur. Dev. EXCEPT:

# Allowable pre-app. Costs (can be reimbursed if grant is awarded)

- Energy audits
- Feasibility studies
- Business plans
- Permit fees
- Professional service fees

# Other 9006 Criteria

- Projects of less than \$200,000 – simplified grant application
- Projects > \$200,000:  
Must complete full application



# Section 9006: FY 2003 and 2004 Awards

## Technology

## 2003

## 2004

Digesters	\$ 7,446,530	\$ 9,508,946
Bioenergy	\$ 2,529,005	\$ 3,136,132
Efficiency, Buildings	\$ 262,037	\$ 1,635,799
Efficiency, Industrial	\$ 1,242,215	\$ 177,175
Geothermal		\$ 285,353
Hybrid	\$ 2,112,977	\$ 126,992
Solar	\$ 725,566	\$ 54,822
Wind, large	\$ 6,701,769	\$ 7,301,540
Wind, small	\$ 187,134	\$ 585,290
<b>TOTAL</b>	<b>\$ 21,207,233</b>	<b>\$ 22,812,049</b>

Completed 2003 Projects



Not to scale

# Award Point System:

110 points possible

(simplified process)

- Quantity of energy saved OR replaced OR produced for sale (15)
  - Only 10 points if energy is produced for sale
- Environmental benefits (10)
  - Must have bona fide state/federal standard for environmental or health/safety that is met, need documentation
- Commercial availability of technology (10)
  - 5 points if available, 10 points if available and a 5-year warranty is available

# Scoring, continued

- Technical Merit (35)
  - This portion is heavily weighted, and will be scored by the NREL – need to work with installer to complete
- Readiness (15)
  - Refers to when matching funds are committed, full points if 100% of match is available via written commitments
- Small/very small producer/rural business (10)
  - <\$600,000 (5 pts), <\$200,000 (10 points)
- Simplified application/low cost producer (5 pts)
- No previous grants (5)
  - Automatic if no grant award in previous 2 years
- Return on investment (10)
  - <4 years, (10 pts); 4 – 7 yrs (4 pts); 8 – 11 yrs, (2 pts)

# Funding limits

- Grants from \$2,500 - \$500,000 for renewable systems
- Cannot exceed 25% of the project's cost
- Also....awardees will receive a 1099 form for the amount of the award, will have to pay taxes on grant
- Guaranteed loan can fund an additional 25%, can combine grant and loan for up to 50% of eligible project costs

# Value-Added Producer Grant

- USDA Rural Development
- \$14.3 million available for 2005
- Primarily for Planning purposes
- Renewable energy is eligible – wind, biomass, hydro produced on land that is farmed
- Project must be implemented in 1 year after award date

# Value-added, continued

- No minimum award
- Max of \$100,000 grant for planning or \$150,000 for working capital
- Matching funds are required, equal to grant amount, in-kind are allowed
- Eligible applicants:
  - Independent producer, agricultural producer group, farm or ranch cooperative, or majority controlled, producer-based business venture.

# Value-Added, continued

- Planning Funds can be used for:
  - Legal advice
  - Feasibility analysis
  - Business plan
  - Marketing plan
- Working capital funds can be used for:
  - Accounting systems
  - Salaries, utilities, inventory, office equipment
  - Marketing campaign for value-added product

# Timeline

- Rolling application dates – first round in December
- Funds are available for this fiscal year through September 2007

# Possible way of using Value-Added and 9006 funds..

- 2006 – Apply for planning grant via Value-Added, get funds for feasibility or business plan
- 2007 – Apply for 9006 funds to build project

# USDA Rural Development Office - Michigan

## **9006 Grants**

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- **Value-Added Grants**

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# *For More Information on USDA Funding...*

- **USDA Rural Development:**

9006 Grant Information available at:

<http://www.rurdev.usda.gov/rbs/farbill/index.html>

**Value-Added Producer Grant information available at:**

<http://www.rurdev.usda.gov/rbs/coops/vadg.htm>

**USDA Rural Development-Iowa:** excellent site, very user-friendly and informative about these grants

<http://www.rurdev.usda.gov/ia/rbcs-NOFA.html>

**Windustry's** farm bill update:

<http://www.windustry.org/farbill/default.htm>

Also includes information for other funding programs.