

Powering Affordable Clean Energy Program (PACE)

What does this program do?

The Powering Affordable Clean Energy (PACE) program is part of the Inflation Reduction Act, (IRA – information is available at this link: <https://tinyurl.com/548c8tb7>), which represents the largest investment in rural electrification since President Franklin Delano Roosevelt signed the Rural Electrification Act into law in 1936. With \$1 billion in funding, PACE helps make clean, affordable, and reliable energy accessible to the people of rural America.

Under PACE, USDA Rural Development's Rural Utilities Service (RUS) will forgive up to 60 percent of loans for renewable energy projects that use wind, solar, hydropower, geothermal, or biomass, as well as for renewable energy storage projects.

PACE funding makes it more affordable for rural Americans to use clean, reliable energy to heat and cool their homes, run their businesses, and power their cars, schools, and hospitals.

Who is eligible for this program?

The PACE program is available to eligible applicants that generate electricity for resale to residents in both rural and nonrural areas. However, at least 50 percent of the population served by your proposed renewable energy project must live in communities with populations of 20,000 or fewer.

Eligible entities include:

- Corporations, states, and territories, along with their subdivisions and agencies
- Municipalities
- Utility districts
- Cooperatives
- Nonprofits
- Indian Tribes
- Alaska Native, regional, or village corporations
- Limited Liability Companies or other for-profit entities organized under the laws of any U.S. state or territory

We will only accept one application from each eligible entity. However, eligible groups can collaborate to package their proposed projects into one joint letter of interest.

You must demonstrate that your proposed project is:

- Eligible
- Financially and technically feasible
- Securable
- Reliable and resilient (can recover quickly following an unexpected disruption)
- Affordable

- Able to be completed within the allotted timeframe

Note: Individuals are not eligible to apply for the PACE program.

The program supports designated energy communities (You can learn more about energy communities at this link: <https://tinyurl.com/2bjkak5w>), disadvantaged communities, distressed communities, and Tribal communities. You can determine whether your proposed project is located in a disadvantaged or distressed community by entering the project address into the "Find address or place" search field on the map at this link: <https://tinyurl.com/5n7a46zd>.

How much funding is available?

Congress has authorized \$1 billion in PACE program funding. The maximum available loan is \$100 million including the forgivable portion. The minimum loan is \$1 million.

The PACE program allocates funding across three applicant categories:

1. Category 1: Provides up to 20 percent total loan forgiveness for applicants if they meet the minimum set of standards set forth in the PACE program Notice of Funding Opportunity (NOFO), published in the Federal Register and available on the PACE program webpage at: <https://tinyurl.com/bdh3599h>.
2. Category 2: Provides up to 40 percent total loan forgiveness if the project is in or serves 50 percent or more of the population of a designated energy community,

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disadvantaged community, or distressed community.

3. Category 3: Provides up to 60 percent total loan forgiveness if the project:
 - a. Is located in U.S. territories or in Compact of Free Association areas (COFA – information is available at this link: <https://tinyurl.com/4cm4k4tf>)
 - a. Serves areas with Tribal populations of 60 percent or greater, are owned by a Tribal government, or are in a Substantially Underserved Trust Area (SUTA – information is available at this link: <https://tinyurl.com/4rvtpsc9>)

You can apply for a loan of up to \$100 million. The percentage of loan forgiveness depends on the type of community the proposed project will serve (as described above and in the NOFO). Progress payments during construction of the renewable energy project are available only for system-financed loans. We will release funds for project-financed loans and debt forgiveness only after eligible projects are completed and verified.

Your interest rate is determined by the RUS municipal rate in effect at the time of the advance. These rates are set quarterly and can be found at this link: <https://tinyurl.com/u5uu742h>.



USDA's PACE program website

How can we use PACE program funds?

You can use PACE funds to finance wind, solar, hydropower, geothermal, or biomass renewable energy projects. Energy storage projects related to a renewable energy project are also eligible. Projects must be based on bankable power purchase agreements (PPAs – information is available at this link: <https://tinyurl.com/3dzhw7at>) or through a financial guarantee that ensures the financial feasibility of the project. Energy must be sold for resale to eligible off-takers which can include both utility and non-utility customers. The technologies used must be commercially available. PACE funding cannot support merchant power projects.

What are the loan terms?

Provided the project is otherwise financially feasible, loan terms are the shorter of:

1. 35 years
2. the useful life of the equipment financed
3. the term of the PPA, or
4. the term of any leased real property

How do we get started?

To be considered for funding, you must first submit a letter of interest (LOI). The application window is open June 30 – September 29, 2023, with applications processed on a rolling basis.

- Your LOI must arrive before September 29, 2023
- We will evaluate LOIs as they are received
- If we invite you to submit an application and it meets all program requirements, your project will be considered for funding.

Additional information about PACE is available in the NOFO published in the *Federal Register* and can be found on the PACE program webpage at this link: <https://tinyurl.com/bdh3599h>, and on the USDA Rural Development Information Reduction Act webpage at <https://tinyurl.com/548c8tb7>. Click the plus sign to the right of “Funding Opportunities,” and see the first bullet point: “Section 22001.”

Who can answer questions?

A list of Frequently Asked Questions (FAQs) can be found on the PACE webpage at this link: <https://tinyurl.com/bdh3599h>.

You can email PACE program questions to SM.RD.RUS.IRA.Questions@usda.gov.

What law governs this program?

Section 22001 of the Inflation Reduction Act (7 USC 8103 (h)) – available at this link: <https://tinyurl.com/2p8m9k7v> - PDF) governs the PACE program.

NOTE: Because information changes, always consult official program instructions or contact your local Rural Development office for help. A list is available at this link: <https://go.usa.gov/xJHPE>. You will find additional resources, forms, and program information at <https://rd.usda.gov>. USDA is an equal opportunity provider, employer, and lender.