

Utilizing Rural Utility Service Financing for Project Development

by

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Outline - Debt Financing for Power Supply

- ▶ Organization
 - ▶ Are you the Borrower or Off-taker?
 - ▶ Secure Your Borrower ID
- ▶ Develop Business Plan/Application
 - ▶ Financial Modeling to Comply with Federal Standards
 - ▶ Environmental
 - ▶ Certifications
 - ▶ Board Resolutions
- ▶ Patience
- ▶ Upon Award Notice - Comply with Loan Terms and Conditions
 - ▶ May need a Guarantor, e.g., Municipal Entity/Parent Utility/Parent Company, based on Loan Feasibility and Entity

Structuring the Power Supply Transaction

- ▶ Evaluate how you wish to proceed, does the utility wish to be the developer and owner; or conduct a competitive bidding process for developer/owner, wherein the utility may have an option to purchase.
- ▶ Borrowing as the utility typically will require a work plan, power supply study, and financial modeling to be included with the application. See 7 CFR 1710.252, 1710.302 and 1710.303
- ▶ However, borrowing for one-off projects wherein a single purpose entity is established for the generation facility and then sells the power to a qualified RUS Off-taker typically requires the submission of financial modeling. See 7 CFR 1710.302
- ▶ Whether as the owner/developer or when as acting as merely as off-taker, the municipal utility should factor in the use of RUS financing in the power rate structure to maximize the financial benefits to the consumer.

Guidance on Developing the Business Plan - Single Purpose Entity for Power Supply

- ▶ Project description, including technology specifications and performance analysis will be needed
- ▶ Financial cost breakdown for the project
- ▶ Financial projections, typically a 10 financial model, incorporating RUS's TIER and DSC analysis for power supply. See 7 CFR 1710.114, and 1710.302
 - ▶ This analysis address the "*Feasibility*. The loan is feasible and it will be repaid on time according to the terms of the mortgage, note, and loan contract. At any time after the original determination of feasibility, the Administrator may require the borrower to demonstrate that the loan remains feasible if there have been, or are anticipated to be, material changes in the borrower's costs, loads, rates, rate disparity, revenues, or other relevant factors from the time that feasibility was originally determined. See §1710.112 and subpart G of this part.
- ▶ Demonstration of site control
- ▶ Authority to proceed from State Authority, if required by the entity. See 7 CFR 1710.105.
- ▶ Environmental Analysis, depending on the project it may require either a CE, FONSI, EA or EiA - See 7 CFR 1970.51-156.
 - ▶ No construction can commence prior to the approval of the environmental analysis by RUS
- ▶ Must Complete Certifications Related to:
 - ▶ Fraud, Lobbying, Debarment and Suspension
- ▶ Board Resolution Authorizing Loan Documents See 7 CFR 1710.154



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