

OVERVIEW

The Alternate Energy Revolving Loan Program (AERLP) was authorized by the State of Iowa under Iowa Code Section 476.46. The AERLP provides zero-interest loans and encourages the development of alternate energy production facilities and small hydro facilities within the state. The AERLP was capitalized by state funds and an assessment on the intrastate revenues of Iowa's gas and electric utilities. The Iowa Economic Development Authority (IEDA), in consultation with the Iowa Energy Center (IEC) Board, administers the program. Administrative rules were adopted in early 2019 and can be found at Iowa Administrative Code 261 Chapter 405.

The IEC Board's Loan Committee is comprised of board members involved with review and recommendation of applications. The IEC Board makes funding decisions for loans at least once per quarter. Loans are made by IEDA directly to borrowers that remit payments to IEDA.

This handbook provides the vision, policies and processes for potential applicants and interested parties. This document will be reviewed by IEDA staff at least once annually and amended by the Loan Committee as needed. This handbook does not replace administrative rules regarding the AERLP. If a conflict between the two exists, the administrative rules shall prevail.

Questions may be directed to the AERLP Program Manager at aerlp@iowaeda.com or by calling 515.348.6221. Questions focused on a specific application cycle must be submitted to IEDA at least one week prior to the application deadline to ensure adequate time for receipt, consideration and response.

APPLICATION TIMEFRAMES AND SUBMITTAL

Applications must be submitted through IowaGrants.gov. Current application deadlines, program guidance and a required Certification and Release of Information form are provided under the Loan Opportunities webpage. If an applicant intends to finance more than one project, the applicant must include all proposed projects in a single application.

Applications submitted before the deadline are reviewed by IEDA staff and the Loan Committee before the next IEC Board meeting. The IEC Board makes funding decisions at least quarterly.

ELIGIBILITY

Eligible Borrowers

1. Individuals whose primary residence is in Iowa
2. Businesses registered and domiciled in Iowa
 - a. If a business applicant is not incorporated in Iowa, a Certificate of Authority from the Iowa Secretary of State's office must be provided
 - b. Each member of a Limited Liability Company must be an eligible borrower. LLCs are required to provide a list of members, location and percentage of equity ownership
3. Water and wastewater utilities, rural water districts and sanitary districts

Ineligible Borrowers

1. An organization lending to a project and owns the project or is a member of an organization that owns the project
2. An individual or an organization with a history of defaulted loans or compliance violations with other state programs or rules
3. An individual or organization with an outstanding loan balance in the AERLP exceeding \$1 million
4. Regents institutions
5. Community colleges
6. State agencies
7. Cities, but not water or wastewater utilities subject to Iowa Code, Chapter 388
8. Counties
9. School districts
10. Nonprofit organizations
11. Gas and electric utilities

Eligible borrowers can enter into Power Purchase Agreements with entities described as ineligible borrowers numbered 4 -11 above.

Eligible Projects

Alternate Energy Production (AEP) facilities and small hydro facilities are defined in Iowa Code section 476.42. The following technologies and resources can be utilized to produce energy for an eligible project:

- Solar
- Wind
- Waste management
- Resource recovery
- Refuse-derived fuel
- Agricultural crops and residue
- Wood-burning

A small hydro facility is a hydroelectric facility at a dam. Small hydropower is commonly associated with generating 10 MW or less of power.

For both AEP and small hydro facilities, components at the project site related to the construction, completion or operation of the facility are eligible.

Additional eligible projects or components of an AEP that fit the definition include, but are not limited to:

- Energy storage included with an AEP pertaining to an improvement related to the operation of the AEP
- Anaerobic digestion and biogas production projects utilizing one or more of the types of the resources listed within the AEP definition to produce energy
- Combined heat and power projects pertaining to recovering thermal energy, which may be considered either a waste or a resource for the purposes of an alternate energy source
- Wind repower projects

Other Project Requirements

- Must be located in Iowa
- Must be wholly owned by the borrower
- The borrower must be the owner, contract purchaser or lessee of the real property where the project is located. In the event the applicant is not the owner of the real property where the project will be located, information on the agreement pertaining to real property should be provided in the application and any associated agreements should be uploaded, if available.

Eligible Costs

- Real and personal property comprising a project.
- Materials and equipment required for necessary site preparation, construction and installation of a project.
- Labor for site preparation, construction and installation of a project. Only labor performed by a third party, such as an independent contractor, is considered eligible.

Ineligible Costs

- Feasibility studies
- Permits
- Administrative costs not associated with site preparation, construction and installation of a project
- Costs incurred prior to the board's approval of a loan
- Interconnection costs
- Costs associated with maintenance, operation or repair of a project
- Other costs the IEC Board determines ineligible

LOAN AMOUNTS

Amount Minimum: \$25,000 and up to 50% of eligible project costs. Eligible project costs must be a minimum of \$50,000 to meet requirements, and the loan amount cannot exceed the value of the collateral.

Amount Maximum: No more than \$1 million per project and no more than \$1 million per borrower outstanding at any time, including members of LLCs that are included in other loans.

LOAN TERMS

Applicants request a loan term in the application, to be evaluated by IEDA and the IEC Board. The Loan Committee must only recommend an award for a loan with the shortest possible term, in no case more than 20 years. Loan terms are determined by selecting the shortest of the following:

- The estimated useful life
- The estimated return on investment
- The term of any other loan used to finance the project

COLLATERAL

The AERLP requires collateral that matches or exceeds the value of the loan request. The following forms of collateral are acceptable:

- Real property
- Dedicated certificate of deposit
- Irrevocable letter of credit
- Corporate guaranty

Applicants are expected to pledge collateral in the application that can be offered in the event of an award, contingent upon IEDA reviewing, accepting and securing collateral prior to disbursement of funds.

HOW TO APPLY

About IowaGrants.gov

Applications must be submitted through iowagrants.gov, which requires registration for the applicant in IowaGrants. Only one individual should be the IowaGrants representative for the project — either the applicant or an authorized representative responsible for managing the IowaGrants account and correspondence between IEDA and the applicant as needed.

If the person completing the application already has an account through the State of Iowa's A&A service, this same account will be utilized.

- Other applications utilizing the State's A&A service: entaa.iowa.gov/entaa/CIApplicationList.jsp
- Frequently Asked Questions: entaa.iowa.gov/entaa/ssohelp.jsp
entaa.iowa.gov/entaa/ssohelp.jsp#signin

Applicants registering to create a new IowaGrants account need to have accounts created at least two weeks before the application deadline to ensure timely completion.

The State of Iowa provides IowaGrants.gov through the vendor Dulles Technology Partners. User data and system access is secure to the highest level of industry standards. More information is available at dullestech.com/security.html.

Confidentiality and Application Access

The application is a public document under Iowa law. However, under some circumstances, certain information may be kept confidential. IEDA considers the following information confidential and withholds it from public inspection without a request for confidential treatment.

- For individuals, the confidential information includes a social security number, the most recent year tax return, most recent W2, and personal financial statement, if available. IEDA conducts credit checks on individuals applying for eligible projects; the results are confidential.
- For businesses, the confidential information includes its most recent year tax return, most recent audited financial statement and the FEIN/TAX ID when a social security number is used.
- Power Purchase Agreements and supplemental financial information, if applicable for the project.

If an applicant wishes to have additional information treated as confidential, a Confidential Treatment Request Form, available upon request from IEDA, must be completed. IEDA determines what, if any, additional information is treated confidential.

APPLICANT INFORMATION

The application collects information, including confidential information discussed previously, for the purposes of assessing creditworthiness and to verify the applicant is an eligible borrower. Any Limited Liability Company applying for a loan is required to upload documentation providing its member names, locations and equity ownership percentages.

PROJECT INFORMATION

The application requires information including an address or description, as well as a site plan and map as needed delineating the project location. Proof of ownership is required, or if the property is leased or under a purchase contract, that agreement must be provided. A leased property must be leased for the duration of the loan term. Applications can include more than one project that would be part of the same loan; therefore, information on each location when applicable is required.

IEDA collects information on project contractors at the time of application. Information includes company name, Iowa registration number, certificate of insurance and additional qualifications, such as a certification or previous project experience, as available.

- If a contractor is not yet selected, applicants provide information for each contractor under consideration for the project. If the applicant ends up selecting a contractor not listed in the application, it may impact the award.
- This requirement may be waived if the applicant is a government entity subject to public bidding requirements under Chapter 26 of the Iowa Code.

Other required project information includes any required permits, the anticipated start and end date of construction, and estimated useful life.

TECHNOLOGY AND ENERGY GENERATION

Information specific to the type of AEP and energy generation estimates enable IEDA and the IEC Board to review the technical merits of the project, energy production estimates, extent of detail and planning relative to the attributes of the project and return on investment.

The AERLP application collects information on the type of AEP proposed, energy resource data, major equipment components, the purpose and end use of the energy to be produced, energy production estimates, the last twelve months of energy use if applicable, whether energy storage is part of the project, and the estimated return on investment before and after incentives.

Most applicants rely on analysis and information from a third-party technical contact, like an installer or consultant, associated with the proposed project. Information on energy generation and return on investment is provided in a detailed report to provide verification and justification to the fields completed in IowaGrants.

- The detailed report should provide background detail on energy resources (such as solar shading or wind speed), production estimates, and more detailed data demonstrating life cycle costs and return on investment. The source and content of these reports is expected to vary depending on the type of AEP, technical contact for application and tool(s) such as software or online calculators used to analyze and present project data.
- Technical Instructions are provided as Appendix B to this guide. This form details information a technical contact for the project most often provides to the applicant for completion of the application in IowaGrants.gov.

The application requires uploading of product information from its manufacturer or distributor. If the proposed equipment isn't new, the upload should indicate the years of service and remaining life expectancy of the equipment and any other information to demonstrate its reliability and remaining useful life.

The application requires a return on investment timeframe, both before incentives and after incentives. Information on specific incentives are required in the budget information section. The amount after incentives should not include the state's Solar Energy System Tax Credit.

BUDGET

Applicants must provide the loan request amount and information on all sources of matching funds, including the status of being secured. These sources may include private capital from the applicant or private investors, grants and/or financing through a lending institution. Applicants are asked to provide commitment letters or other documentation of matching funds from third parties.

The application includes line items for installed system cost. Incentive and non-repayable revenue dollar amounts, if applicable, are provided in this section, which should include any tax incentives, federal tax credits, grants and the estimated value of Modified Accelerated Cost Recovery System (MACRS) tax incentive over the life of the project.

APPLICATION REVIEW PROCESS

After the established application deadline, applications are first reviewed by IEDA staff for completeness and eligibility. Applications not eligible under Iowa Code or Administrative Rules are not recommended for a loan to the Loan Committee or IEC Board.

Second, IEDA staff completes a financial and technical review of the application, which may include requesting more information from the applicant. The IEC Board may engage an outside technical review panel to complete technical reviews of applications.

Finally, the Loan Committee reviews the applications and staff recommendations and makes recommendations to the IEC Board. The IEC Board approves, defers or denies applications for loans. IEDA staff may negotiate the amount, term and other conditions of each loan prior to award.

If demand for loans exceeds funding available, the following competitive scoring criteria is used:

- Employ novel, emerging or underutilized technology as determined upon IEDA/IEC review
- Increase geographic diversity, based on previous geographic locations of loans within the AERLP
- Provide a quicker return on investment and shorter-loan term, based on review of the energy analysis and feasibility
- Produce more renewable energy relative to the amount of the loan, measured in annual energy production in relationship to the loan award (for example, AERLP cost per kWh)

AWARD AND CONTRACT

Award decisions are made by the IEC Board. IEDA notifies successful applicants, in writing, of an approved award. This notice may include the terms or conditions under which approval is granted. An award does not constitute a binding contract. The IEC Board may approve an application prior to an applicant securing private financing, but IEDA does not disburse funds until such financing is obtained.

IEDA offers a contract to the borrower including the promissory note for the loan and the amortization schedule. The contract is between the IEDA and the borrower. After IEDA transmits the contract, the borrower must execute and return the contract to IEDA within 45 days. Failure to do so may be cause for the IEC Board to terminate the award.

Borrowers are required to meet conditions before a contract is signed and/or before funds are dispersed to the borrower. All borrowers are required to secure pledged collateral before disbursement of funds. Examples of other conditions include, but are not limited to, a fully executed interconnection agreement for the AEP owner and utility, or evidence that other financing or funding sources listed in the application have been approved.

POST-AWARD REQUIREMENTS AND ADMINISTRATION

The contract between the IEDA and the borrower provides the promissory note and terms and conditions of the loan. The contract requires timely progress toward project completion as described in the application. Some terms and conditions may be specific to the borrower or project type. Certain post-award requirements are applicable to all borrowers, including but not limited to requirements listed in this section.

Payment

Payments are due monthly to IEDA and provided through Automated Clearing House.

Reporting and Compliance

A start-up report is due to the IEDA within 30 days of the date the project is placed in service. The report should be provided in the form provided within the borrower's IowaGrants.gov account for submission. The report must include, but is not limited to, documentation of installed costs of the project, one or more photographs, and a description of any unexpected problems encountered during construction or installation. IEDA will conduct a site visit of all awarded projects to ensure projects were built as proposed and to provide verification of ongoing operation.

Borrowers are required to maintain insurance on the AEP for the duration of the loan, which may be included as part of property or business insurance. The borrower should name IEDA as a loss payee, as appropriate, and submit a copy of the policy to IEDA.

Borrowers are required to notify the IEDA of any change in ownership of the AEP. Any loan made pursuant to this program becomes due for payment upon sale of the project for which the loan was made.

Default

Borrowers should notify IEDA as soon as possible of any anticipated delays in payments or potential amendment requests impacting the payment amount or loan terms.

Events of default are provided in the contract between IEC and the borrower. IEDA may undertake a variety of actions to recover misspent funds or collect the outstanding loan balance, including referring a defaulted contract to outside counsel for debt collection.

Amendments

Any substantive change to a project requires an amendment to the contract. A substantive change to a project includes, but is not limited to, a change in the loan amount, loan term or scope of work. The borrower must request the amendment in writing. No amendment is valid until approval has been provided in writing by the IEDA staff or on behalf of the IEC Board.

APPENDIX A:

Upload Checklist for AERLP Application

APPENDIX A: UPLOAD CHECKLIST FOR AERLP APPLICATION

Instructions

If the applicant cannot produce uploads requested in the application in IowaGrants.gov, the application might be deemed incomplete and not considered for an award. Contact the AERLP program manager with questions. This checklist is not an all-inclusive list of application requirements.

Individuals

- Copy of driver's license or state-issued photo ID
- Most recent W-2
- Personal financial statement (if available)
- Most recent tax return

Businesses

- Articles of incorporation
- Most recent year tax return
- Most recent audited financial statement
- Certificate of Authority from Iowa Secretary of State (only for businesses not incorporated in Iowa)
- List of Member names, locations and equity ownership percentages (only for Limited Liability Corporations)

Water or Wastewater Utility, Rural Water or Sanitary Districts

- Map of geographic service area if available (a description can be substituted for the map)

Project Location

- Proof of ownership, such as deed or assessor's site printout (only for projects owned by applicant)
- Lease agreement (only for projects leased by applicant)
- Layout / site plan and map that includes the proposed project. These can be the same or separate documents. A map is more applicable to projects farther from a physical address or on a larger property.

Project Contractors

- Certificate of insurance
- Additional qualifications if available

Technology and Energy Generation

- Manufacturer/ distributor product information for all major components in the project
- Energy generation report
- Power Purchase Agreement (if applicable)
- Financial profit and loss statement or similar financial projection/ pro forma (if applicable)

Budget

- Cost estimate or bid reflecting costs identified in the application
- Commitment letter or letter of intent from each party providing financial assistance