

Client Alert:

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## The U.S. Department of Energy Announces Loan Guarantees for Renewable Energy Projects

### ⚙ Overview

On October 7, 2009, the U.S. Department of Energy (the DOE) announced a Federal Loan Guarantee Program for conventional renewable energy generation projects. Under this program, the DOE will provide up to \$750 million through qualified lender applicants to stimulate private sector participation in renewable energy projects. This loan guarantee is made through the American Recovery and Reinvestment Act.

Unlike the majority of DOE-supported activities, these loan guarantees are not designated to encourage research and development of unproven clean energy projects. Rather, this program was created to help commercialize existing renewable energy innovations.

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### ⚙ Application Process

Companies (and their investors) interested in taking advantage of this program do not apply directly to the DOE, but instead work with a financial institution to obtain the loan guarantee. In this respect, this program is similar to Small Business Administration-backed loans made through qualified financial lenders. The lending institution plays the lead role in obtaining the loan guarantee.

### Application Submission Requirements

The applications for this program are to be submitted both electronically and in the form of hard copies. Prior to submitting an application, the lender-applicant must obtain a Dun and Bradstreet Universal Numbering System (DUNS) number, a North American Industry Classification (NAIC) number, register with the Central Contract Registry (CCR), and register with FedConnect.

The total application fees are \$50,000. Twenty-five percent of the application fee must be paid at the time that Part I of the application is submitted, and the remainder must be submitted with Part II. The DOE will review Part I of the application and notify the applicant whether it should proceed with Part II, so applicants should only submit Part II after they receive feedback from the DOE for Part I.

### Next Steps

Applications for this program are evaluated in two phases:

#### **Part I Submission Evaluation**

Upon receipt of a Part I submission, the DOE will review the application to determine whether it meets the preliminary criteria. The project must be for an established eligible renewable energy project/facility including, but not limited to: solar, wind, hydropower, trash-to-energy, geothermal or biomass. The lender-applicant must also meet the criteria under the program (i.e. it must be a recognized lender that is not ineligible to participate in government loan program and is not currently delinquent or has not defaulted on any Federal loan). Additionally, because the projects under this program are intended to rapidly bring benefits to the U.S. economy, the applicant must provide reasonable assurance that the project will commence construction no later than September 30, 2011.

#### **Part II Submission Evaluation**

Assuming all criteria in the Part I submission are met, the DOE will evaluate the proposal based on the following:

- 1. Programmatic factors:** Readiness of the project for financing/likely speed

## Department of Energy Loan Guarantee Program

to closing, size of the project, simplicity of the project and its financing structures, and legal and regulatory factors.

2. **Creditworthiness:** The financial strength of the project, with special emphasis on security of revenues and expenses.
3. **Financing and Funding Plan:** The ability of the lender-applicant and the related business to successfully execute a financing plan and funding plan for the project and the payback of the DOE obligation.

Additionally, the DOE will guarantee no more than 80% of the project, and they will give preference to projects that involve a lower loan guarantee amount.

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### More Information

For more information, please see the Department of Energy's Link to this program (<http://www.lgprogram.energy.gov/>). Additionally, Carr & Ferrell maintains information on other alternative funding and financing sources, and continually updates its materials on such opportunities. If we can be of assistance with this program or any of your funding or other corporate needs, please contact Barry Carr, Jill Fishbein or Rob Keller of Carr & Ferrell's Corporate Group at 650-812-3400.