

Solar Energy Program

Program Guidelines | September 2009

> ready > set > succeed



Table of Contents

Section I	Statement of Purpose	1
Section II	Eligibility	1
A.	Eligible Applicants	1
B.	Eligible Projects	1
C.	Eligible Uses of Funds	1
Section III	Program Requirements	2
A.	Matching Funds	2
B.	Other Requirements	2
C.	Fees	3
Section IV	Loans, Grants and Guarantee	3
A.	Loans	3
B.	Grants	4
C.	Guarantee	4
Section V	Application Process	5
A.	Application Procedures	5
B.	Application Evaluation	5
C.	Procedures for Accessing Funds	6
Section VI	Program Inquiries	6
Appendix I	Supplemental Information	7
Appendix II	Authorized Resolution	9

Section I – Statement of Purpose

The Solar Energy Program (the Program) provides financial assistance in the form of grant and loan funds that will be used by eligible applicants to promote the generation and use of solar energy and the manufacture or assembly of solar equipment in the Commonwealth. The Program is administered jointly by the Department of Community and Economic Development (DCED) and the Department of Environmental Protection (DEP) under the direction of the Commonwealth Financing Authority (CFA).

Section II – Eligibility

A. Eligible Applicants

The following applicants are eligible for grants/loans:

1. **A Business** – a corporation, partnership, sole proprietorship, limited liability company, business trust, or other commercial entity approved by the Commonwealth Financing Authority. The term shall include venture capital firms, solar energy and solar thermal system installers, and other business entities capable of raising a significant amount of capital. The term shall also include not-for-profit entities.
2. **An Economic Development Organization** – a nonprofit corporation or association whose purpose is the enhancement of economic conditions in their community.
3. **A Political Subdivision** – A municipality, county, or school district.

B. Eligible Projects

1. Solar projects, including facilities to generate, distribute, or store solar energy, as well as manufacturing or assembly facilities for solar panels or other solar equipment. Solar photovoltaic (electric) and solar thermal (hot water) technologies are eligible. Projects must have a useful life of at least four years.
2. The development or construction of facilities used for the research and development of technology related to solar energy.

C. Eligible Use of Funds

Funds may be used by the applicant to pay for any of the following project costs:

1. Acquisition of land and buildings, rights-of-way, and easements necessary to construct an eligible project.
2. The clearing and preparation of the land necessary to construct an eligible project.
3. Construction or renovation of a building that will be used to manufacture equipment or conduct research and development related to solar energy systems; engineering costs associated with construction or renovation but not to exceed 10% of grant award.
4. The purchase and installation of equipment used for the manufacturing of equipment or to conduct research and development related to solar energy systems or solar thermal systems.

5. The design, purchase (including the bulk purchase of equipment), installation, and construction of facilities that generate, distribute, or store solar energy or that produce hot water using solar energy.
6. For eligible public and non-profit applicants, the preparation of plans, specifications, studies, surveys, necessary or incidental to determining the feasibility or practicability.
7. Permit fees.
8. Administrative costs of the applicant to administer a Program grant or loan. Administrative costs include advertising, legal and audit costs, as well as documented staff expenses. Administrative costs shall not exceed 3% of the Program grant or loan.

Ineligible costs include but are not limited to fees for securing other financing, interest on borrowed funds, refinancing of existing debt, and costs incurred prior to the approval of CFA financing.

Section III – Program Requirements

A. Matching Funds Requirement

Matching funds means any new public or private investment in the proposed project made by an eligible applicant. Eligible applicants must provide evidence of a commitment of matching funds at the project site. The amount of the matching investment required must be at least \$1 for every \$1 of Program funds awarded by the CFA.

B. Other Requirements

1. Conflict of Interest Provision

An officer, director, or employee of an applicant who is a party to or has a private interest in a project shall disclose the nature and extent of the interest to the governing body of the applicant, and may not vote on action of the applicant concerning the project, nor participate in the deliberations of the applicant concerning the project.

2. Nondiscrimination

No assistance is awarded to an applicant under this program unless the applicant certifies to the Authority that they shall not discriminate against any employee or against any person seeking employment because of race, color, handicap, national origin, age, or sex. All contracts for work to be paid with program assistance must contain the Commonwealth's official nondiscrimination clause.

3. Project Records

The applicant must maintain full and accurate records with respect to the project and must ensure adequate control over related parties in the project. The Authority requires access to such records, as well as the ability to inspect all work, invoices, materials, and other relevant records at reasonable times and places. Upon request of the Authority, the applicant must furnish all data, reports, contracts, documents, and other information relevant to the project.

4. **Pennsylvania Prevailing Wage Act**

All or a portion of the construction work associated with the project may be subject to the Pennsylvania Prevailing Wage Act, as determined by the Pennsylvania Department of Labor & Industry. It is the responsibility of the funding recipient to ensure that the Pennsylvania Prevailing Wage Act is followed if applicable.

5. **Proof of Notification**

For development and construction projects, the applicant must provide proof that the county and host municipality or municipalities have been notified about the intended project.

6. **Project Audit**

For projects receiving grant funds in excess of \$100,000, an audit from a Certified Public Accountant (CPA) licensed in Pennsylvania listing all project costs must be submitted to DCED within 90 days after expiration of the grant. In the opinion section of the audit, a statement shall be made certifying that Commonwealth funds were disbursed in accordance with the terms of the grant agreement.

7. **Equipment Specifications and Installation**

Solar photovoltaic energy systems must be UL-listed new equipment and installed in compliance with the Pennsylvania Uniform Construction Code and local laws and codes. Solar thermal systems must be new equipment, at a minimum SRCC OG-100 rated or meet a comparable standard approved by the DEP, and installed in compliance with the Pennsylvania Uniform Construction Code and local laws and codes.

8. **Guideline Provisions**

The Solar Energy Program guidelines may be modified or waived by the CFA unless otherwise required by law.

C. Fees

The Commonwealth Financing Authority charges a \$100 non-refundable application fee for Solar Energy Program applications. Application fee is due at the time of submission. There is a 1% commitment fee on all approved loans.

Section IV – Loans, Grants and Guarantees

A. Loans

1. **Loan Amount**

- a. The maximum amount of any loan for a manufacturer of solar equipment shall not exceed \$35,000 for every new job projected to be created by the business within three years after approval of the loan. If the manufacturer fails to create the projected number of jobs within three years, the Authority may require the interest rate to be increased by 3% for the remaining term of the loan.
- b. The maximum loan amount for a solar energy generation or distribution project shall not exceed \$5 million or \$2.25 per watt, whichever is less. In calculating the \$2.25 per watt cost, CFA will not include the cost of any energy storage equipment. The CFA will consider loan requests over \$5 million for projects that will significantly impact the Authority's goal to increase the amount of solar energy generated in the Commonwealth.

c. The maximum loan amount for a solar research and development facility or a solar thermal project shall not exceed \$5 million.

2. Repayment Term

Loans will be repaid over a period not to exceed 10 years for equipment and 15 years for real estate.

3. Interest Rate

The interest rate for the loan will be fixed at the time of approval of the loan. Interest rates are subject to change based on market conditions. The current interest rate is posted on the www.newPA.com website.

4. Security

All loans are to be secured by a lien on the asset financed. The Authority may require additional security as necessary, including but not limited to, a pledge of additional assets or securities or dedicated revenues.

B. Grants

1. The maximum amount of any grant for a manufacturer of solar equipment shall not exceed \$5,000 for every job projected to be created by the business within three years after approval of the grant. If the manufacturer fails to create the projected number of jobs, the Authority may require the full amount of the grant to be repaid.
2. The maximum grant amount for a solar energy generation or distribution project shall not exceed \$1 million or \$2.25 per watt, whichever is less. In calculating the \$2.25 per watt cost, CFA will not include the cost of any energy storage equipment. The CFA will consider grant requests over \$1 million for projects that will significantly impact the Authority's goal to increase the amount of solar energy generated in the Commonwealth. It is the preference of the Authority to assist solar energy generation projects with low interest loans rather than grants whenever possible.
3. The maximum grant amount for a solar research and development facility or a solar thermal project shall not exceed \$1 million.
4. The maximum amount for any grant that will be used solely for planning or feasibility studies shall not exceed 50% of the total cost of the planning project or \$175,000, whichever is less. Grants may be used to pay for any eligible project costs as defined in Section II of these guidelines.
5. The CFA will consider grant requests for generation projects in instances where there is not a long-term contract of at least 10 years in place for Solar Renewable Energy Credits. For projects that enter into a long-term SREC contract subsequent to CFA approval of a grant, the grant approval will be rescinded and grant funds returned to the CFA.

C. Guarantee

The Authority may award grants to applicants that would serve as a guarantee for the financing in the project. The Guarantee is subject to the following conditions:

1. The grant will be in the form of a standby letter of credit and issued directly to the company/developer. Projects applying for a loan guarantee from the Authority will be required to invest a minimum of 10% in equity as part of the project financing.

2. The grant funds may only be drawn upon in the event the company defaults on its financing and there is a deficiency in collateral for the lending institution to collect upon. The grant will pay up to 75% of the deficiency.
3. The term of the grant will not be more than 5 years.
4. The amount of the grant shall not exceed \$30 million.

Section V – Application Process

A. Application Procedures

To apply for funding, the applicant must submit the electronic on-line Department of Community and Economic Development Single Application for Assistance located at www.esa.dced.state.pa.us. Once submitted, please print ten (10) copies of the application, and send with the required supplemental information (please see Appendix I of these guidelines) via US Mail along with the signature page. Please reference the Web ID number on any documents sent with the signature page. Applications must be received at least 60 days prior to the next scheduled Authority meeting at which Solar Energy Program applications will be considered. An application review schedule for the Authority meetings can be found on the www.newPA.com website.

B. Application Evaluation

All applications for financial assistance will be reviewed by the Department of Community and Economic Development and the Department of Environmental Protection under the direction of the CFA to determine eligibility and competitiveness of the proposed project. Projects will be evaluated using the following criteria:

1. The level of non-CFA matching investment in the project.
2. The technical and financial feasibility of the project.
3. Energy savings generated or peak load reduced by the project.
4. The amount of solar energy produced by the project.
5. The number and quality of the jobs to be created or preserved in Pennsylvania by the project including construction jobs.
6. The financial need of the project.
7. The capital efficiency of the project.
8. Project readiness.
9. The level to which the project exhibits principles of sound land and water use.
10. Environmental benefits arising from the project including the creation of allowances that can be used to facilitate additional economic development in the region.
11. The nation and state of origin of equipment used in the solar project.

C. Procedures for Accessing Funds

1. Upon approval of an application by the Authority, a commitment letter will be issued to the applicant explaining the terms and conditions of the loan or grant. The commitment letter must be signed and returned to the Authority within 45 days of the date of the commitment letter or the offer may be withdrawn by the Authority.
2. Following the acceptance of an offer by the applicant, a loan closing will be scheduled and, if applicable, a grant agreement will be sent to the applicant for execution. In the case of a grant and loan combination involving an unrelated business, the Authority will contract directly with the applicant for the grant funds and will enter into separate loan documents between the Authority and the business. The applicant shall obtain the services of a professional engineer or architect licensed in Pennsylvania who will certify to the Authority during construction that the expenses were incurred and were in accordance with the plans approved by the Authority. The Authority will release funds to the applicant at not less than 30-day intervals, with a maximum of twelve disbursements over the life of the project.

Section VI – Program Inquiries

Program inquiries should be directed to:

PA Department of Community and Economic Development
Center for Business Financing – Grants Division
Solar Energy Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

Telephone: (717) 787-7120
Fax: (717) 772-3581
E-mail: ra-dcedcbf@state.pa.us.

These guidelines can also be accessed online at www.newPA.com.

Appendix I – Supplemental Information

Solar Energy Program

In addition to completing the Department of Community and Economic Development Single Application for Assistance, please include the following items when applying for a loan/grant under the Solar Energy Program:

- Exhibit 1:** Provide a description of the project and project user which discusses all of the following: (a) a brief executive summary describing the project; (b) the specific location of the site and project characteristics, such as the total acreage and/or square footage of the project; (c) any characteristics of the area in which the site is located that demonstrate a need for economic development; (d) the historical and proposed use of the site; (e) the specific costs and improvements to be paid for with Program funds; (f) the experience of the project user, including a discussion of previous projects completed; (g) the estimated start and end dates of the project; (h) the number of net new full-time jobs to be created and/or preserved by the project; (i) a description of how the project will reduce reliance on conventional energy resources; (j) the estimated energy benefits and the method used to reach the estimate, including MWh generated, MWh saved, or peak MW saved; (k) the estimated environmental benefits of the project such as tons of air emissions avoided (sulfur dioxide, ozone precursors, mercury, and CO₂ or other greenhouse gases), water consumption avoided, avoided waste products, and the method used to reach the estimate; (l) impacts on the availability and price of energy resources including the reduction of grid congestion and; (m) if the project will generate electricity, whether there are interconnection, net metering, and/or power purchase agreements in place; (n) the nation and state of origin of any equipment used in the solar energy or solar thermal project.
- Exhibit 2:** Funding commitment letters from all other project funding sources, if applicable (including equity commitments). Letters should include the term, rate, and collateral conditions, and must be signed and dated.
- Exhibit 3:** A statement of the amount and type of assistance requested. If requesting a loan, a description of the proposed repayment terms.
- Exhibit 4:** Attach financial statements of the business, parent company, and any other proposed guarantors, if any, for the last three years of operation. Financial statements should include balance sheets, income statements, cash flow statements, and notes to financials. Start-up companies must provide three years projected financial statements. For public sector or non-profit applicants, provide the most recent audited financial statements of the applicant.
- Exhibit 5:** For loans, identify the collateral that will be offered to the CFA as security for the loan. If the proposed collateral is real estate, provide two completed as-is appraisals or one appraisal prepared by either a Member of American Institute of Real Estate Appraisers (MAI) or a PA State Certified Appraiser. The appraisals must be no more than six months old. If a personal guarantee is being offered as security, attach personal financial statements for the proposed guarantor and their spouse. The personal financial statements should not be more than six months old and must be signed.
- Exhibit 6:** A color-coded map or plot plan detailing the location of the project, overlaid with the corresponding zoning of the project area.

- Exhibit 7:** A statement as to the estimated cost of the project. The estimate must be prepared by an engineer, architect, or other qualified professional and should be accompanied where appropriate by copies of the signed bids/quotations, contractor estimates, or sales agreements that verify project cost estimates.
- Exhibit 8:** For projects that generate, distribute, or store solar energy, a projected cash flow analysis, which includes all expenses and revenues covering a period of ten years from project commencement.
- Exhibit 9:** A letter from the appropriate planning agency certifying that the proposed project is in compliance with the comprehensive land use plans and zoning and subdivision codes.
- Exhibit 10:** For solar energy generation projects only, a solar shade analysis showing that the system will produce no less than 80% of the maximum annual output of a system with optimal placement and orientation.
- Exhibit 11:** For political subdivision applicants, provide a resolution duly adopted by the applicant's governing board formally requesting the grant/loan, designating an official to execute all documents, describing briefly the project scope, and identifying the grant amount requested per year (see Appendix II for a Sample Resolution).
- Exhibit 12:** The qualifications of contractors that will conduct work on the solar research and development facility, solar energy, or solar thermal installation project.
- Exhibit 13:** For manufacturing projects, the average wage of existing employees and the average wage for jobs to be created.

Send 10 copies of completed application with all supplemental information and attachments to:

PA Department of Community and Economic Development
Center for Business Financing – Grants Division
Solar Energy Program
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225

If you have any questions on completing the application, please call the Center for Business Financing at (717) 787-7120.

Appendix II – Authorized Official Resolution

Be it RESOLVED, that the _____ (Name of Applicant) of _____ (Name of County) hereby request a Solar Energy Program grant and/or a loan of \$_____ at a _____ % rate and _____ year term from the Commonwealth Financing Authority to be used for _____.

Be it FURTHER RESOLVED, that the Applicant does hereby designate _____ (Name and Title) and _____ (Name and Title) as the official(s) to execute all documents and agreements between the _____ (Name of Applicant) and the Commonwealth Financing Authority to facilitate and assist in obtaining the requested grant/loan.

I, _____, duly qualified Secretary of the _____ (Name of Applicant), _____ (Name of County) _____, PA, hereby certify that the forgoing is a true and correct copy of a Resolution duly adopted by a majority vote of the _____ (Governing Body) at a regular meeting held _____ (Date) and said Resolution has been recorded in the Minutes of the _____ (Applicant) and remains in effect as of this date.

IN WITNESS THEREOF, I affix my hand and attach the seal of the _____ (Applicant), this _____ day of _____, 20____.

Name of Applicant

County

Secretary