

***Fostering Innovation through Finance:
Iowa's New Low-Interest Revolving Loan
Program***

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Iowa Energy Center Loan Program Revisioning

- » Fall of 2019, IEC Board appointed a subcommittee to look at statutory basis for the Alternate Energy Revolving Loan Program and suggest potential revisions
- » Subcommittee met several times in CY2020
- » IEDA conducted stakeholder survey
- » Program Proposal created for IEC Board approval
- » IEC Board authorized IEDA to pursue legislative changes based on proposal
- » Legislation approved in 2021 session and signed by Governor Reynolds

SF619 Division XII

- » Amended Section 476.10A of IA Code
- » Discontinued the Alternate Energy Revolving Loan Program
- » Created Energy Infrastructure Revolving Loan Program
- » Clarified eligible borrowers
- » Allowed for some costs related to program administration
- » Defined energy infrastructure: land, buildings, physical plant and equipment, and services directly related to the development of projects used for, or useful for electricity or gas generation, transmission, storage or distribution.

Program Development

- » Administrative Rules developed and adopted – Iowa Administrative Code section 261.406
- » Rules provided that the IEC board would approve policies and procedures at least annually
 - Can adapt as the IEC board's priorities and vision changes, in addition to incorporating lessons learned as the program evolves
- » Policies and Procedures manual clarifies program details, including aspects from the statute, key administrative rules and additional requirements, application process and administration
 - A One Stop Shop for applicants and stakeholders with what you need to know
 - <https://www.iowaeda.com/userdocs/programs/resources/EIRLPHandbook093021.pdf>

Funding Available

- » Approx. \$14M available
- » IEC Board may approve up to \$5M in loans per quarter
- » Minimum loan amount: \$50,000
- » Maximum loan amount: \$2,500,000 (2.5M)
- » Loan amount lower than applicant's request may be recommended under certain circumstances
- » Up to 75% of project costs
 - 25% or remainder of project costs may include costs otherwise considered ineligible for EIRLP (examples: soft costs or costs incurred before loan committee's recommendation of loan)

Eligible and Ineligible Costs

» Eligible Costs

- Real and personal property
- Materials and equipment necessary for site prep, construction and installation
- Costs associated with maintenance, operation or repair of a project

» Ineligible Costs (could be match)

- Administrative costs not associated with site prep, construction and installation
- Costs incurred prior to the committee's recommendation to approve a loan unless borrower demonstrates necessity to begin costs sooner (e.g. deposit on equipment, securing contractor, engineering, etc)
- Feasibility studies
- Engineering and final design
- Permitting and regulatory
- Other soft costs like legal fees, fees related to security collateral
- Other costs the board determines to be ineligible

Eligible Borrowers

- » Businesses incorporated or organized in Iowa or authorized to do business in Iowa, including businesses operated as sole proprietorships with a registered trade name
- » Rural electric cooperatives
- » Municipal utilities

Ineligible Borrowers

- » A business that is not located in or operating in Iowa. *A business that will be located and operating in Iowa upon completion of an eligible project may be eligible.*
- » An individual or an organization with a history of defaulted loans or compliance violations with other state programs or rules.
- » Regents institutions
- » Community colleges
- » State agencies
- » Cities, except municipal utilities that are eligible borrowers pursuant to 261 IAC 406.4(1)“c”
- » Counties
- » School districts
- » Nonprofit organizations

Loan Term and Interest

- » Loan term up to 15 years
 - Between 5-10 years preferred
 - Loan Committee will consider cash flow factors, projected revenue or savings, other financing
- » Interest rate standard is 2% (per policies/procedures)
 - Any deviation from the standard interest rate requested by the applicant will be part of the loan committee's recommendation to the IEC Board and determined by specified factors such as the loan term, project risk or cash flow.
 - The interest rate shall not exceed the Wall Street Journal prime rate as of the date of the IEC Board approval of the loan.

Collateral

- » Collateral value must be equal to or exceed loan amount. Options include:
 - Real property
 - Dedicated certificate of deposit
 - Irrevocable letter of credit (preferrable for businesses)
 - Corporate guarantee
 - Utility revenue or reserve funds, if applicable
 - Other forms of collateral if the others are inadequate

Project Eligibility Overview

- » Applicant shall demonstrate that all of these criteria have been met:
 - The project is located in Iowa or for the primary use or benefit of Iowans. If any portion of the project is located outside of Iowa, the applicant bears the burden of demonstrating that the project as a whole will be for the primary use or benefit of Iowans.
 - The project must have a certain market and/or end user(s) and not for purely speculative purposes. A loan could be approved contingent upon a certain market and/or end user(s).
 - The project develops energy infrastructure as defined in Iowa Code section 476.46A(3)(a).
 - The borrower must be the owner, contract purchaser, lessee or other interest holder of the real property where the project is located.

- » A project that generates energy for use only at a borrower's personal residence is not an eligible project.

Project Purpose

- » Project should fulfill at least one of the purposes provided in Iowa code:
 - Energy infrastructure development
 - Electric grid modernization
 - Energy-sector workforce development
 - Emergency preparedness for rural and underserved areas
 - Expansion of biomass, biogas and renewable natural gas
 - Innovative technologies
 - Development of infrastructure for alternative fuel vehicles
- » These are broad categories we explore further in policies and procedures, to identify what it may include (but not limited to) and what it does not include.

Electric or gas generation, transmission, storage or distribution

Examples

- » Infrastructure necessary for new modernization or generation projects
- » Virtual pipeline distribution
- » Carbon sequestration pilot projects
- » Industrial location / expansion projects in areas with capacity constraints
- » Energy generation with public/community users and benefits

Does not include

- » Solar for a private user without additional innovative technologies/approaches
- » Natural gas or transmission projects considered routine/common upgrades
- » Energy infrastructure for business location or expansion projects not tied to IEDA's business development priorities (advanced manufacturing, biosciences, insurance/financial services).

Electric grid modernization

Examples

- » Equipment managed by utility to manage peak loads, either as part of their system or customer-sited
- » Software used to improve cybersecurity
- » Infrastructure/software to optimize use of energy generation resources, which may include fiber

Does not include

- » Fiber improvements without electric grid improvements

Energy-sector workforce development

Examples

- » Integrating workforce training and/or certification into energy infrastructure planning and construction
- » Hiring additional contractor(s) for training purposes on a project
- » Building a training facility for line workers/ electricians to learn about emerging energy technologies

Does not include

- » Hiring additional staff of the borrower or an affiliate to construct energy infrastructure project

Emergency preparedness for rural and underserved areas

Examples

- » Equipment to detect outages on service lines
- » Infrastructure to improve resilience
- » Remote power and storage solutions
- » Electric emergency vehicles with exportable power

Does not include

- » Conventional vehicle acquisition
- » Emergency radios

Expansion of biomass, biogas, and renewable natural gas

Examples

- » Anaerobic digesters (AD) and associated equipment
- » Infrastructure upgrades to connect production to market
- » Biomass production costs necessary to enter energy market or be deployed for carbon sequestration

Does not include

- » Maintenance of existing AD facilities
- » Ethanol and biodiesel refineries

Innovative technologies

Examples

- » Energy storage (batteries) and improvements to accommodate it
- » Combined Heat and Power
- » District energy systems
- » Microgrids

Does not include

- » Technologies with an established market and sources of financing in Iowa.
- » Technologies that have not received necessary regulatory approvals to be implemented as a pilot project

Development of infrastructure for alternative fuel vehicles

Examples

- » Electric vehicle charging infrastructure
- » Hydrogen fueling stations when powered with electricity and/or natural gas

Does not include

- » Ethanol or biodiesel storage or stations

Evaluation Criteria

- » Any project shall meet at least one of these criteria. If demand for loans exceeds funds available, criteria will be used to evaluate and select projects for approval.
 - Demonstrate an economic impact to the local community and state.
 - Demonstrate a creative or innovative approach to a need or problem.
 - Demonstrate assistance is necessary to reduce the project's risks.

Application Process

- » Potential applicants may submit an optional energy questionnaire to get feedback. Located on program webpage.
- » Applicants must create an IowaGrants account in order to access application. This can take several days.
- » Complete application (blank example available upon request)
- » Application remains open but planned deadlines for consideration by IEC board are below.

Application Deadline	IEC Board Meeting Date
January 20, 2022	February 17, 2022
April 14, 2022	May 12, 2022
July 14, 2022	August 11, 2022
October 20, 2022	November 17, 2022

Application Process

- » After submittal of an application:
 - Review and analysis by IEDA staff
 - Questions and requests to applicants (timely response is imperative)
 - Review and Recommendation by Loan Committee
 - Further negotiation if needed
 - Recommendation to IEC Board

- » In event of award:
 - Loan agreement offered by IEDA
 - Conditions to disbursement such as security collateral
 - Disbursement provided by IEDA (either check or direct deposit)
 - Payments owed to IEDA according to promissory note and amortization schedule

Resources

» Program Webpage

- <https://www.iowaeda.com/iowa-energy-office/energy-loans/>

» IowaGrants.gov

- <https://www.iowagrants.gov/> under Loan Opportunities

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