

additional revenue sources that lower the rates or out of pocket consumer energy costs such as rate averaging, and other Federal, State, or private cost contributions or subsidies.

(e) The applicant may propose a project that will serve high energy cost communities across a State or region, but where individual project beneficiaries will be selected at a later time. In such cases, to establish eligibility, the applicant must provide sufficient information in the application to determine that the proposed target area includes eligible high energy cost communities and proposed selection criteria to assure that grant funds are used to serve eligible communities.

§ 1709.108 Supporting data for determining community eligibility.

The application shall include the following:

(a) *Documentation of energy costs.* Documents or references to published or other sources for information or data on home energy expenditures or equivalent measures used to support eligibility, or where such information is unavailable or does not adequately reflect the actual cost of average home energy use in a local community, reasonable estimates of commercial energy costs.

(b) *Served areas.* A comparison of the historical residential energy cost or expenditure information for the local commercial energy provider(s) serving the target community or target area with the benchmark criteria published by the Agency.

(c) *Engineering estimates.* Estimates based on engineering standards may be used in lieu of historical residential energy costs or expenditure information under the following circumstances:

(1) Where historical community energy cost data are unavailable (unserved areas), incomplete or otherwise inadequate;

(2) Where the target area is not connected to central station electric service to a degree comparable with other residential customers in the State or region.

(3) Where historic energy costs do not reflect the costs of providing a necessary upgrade or replacement of energy infrastructure that would have

the effect of raising costs above one or more of the Agency benchmarks.

(d) *Independent Agency review.* Information to support high energy cost eligibility is subject to independent review by the Agency. The Agency may reject applications that are not based on credible data sources or sound engineering estimates.

§ 1709.109 Eligible projects.

Eligible projects are those that acquire, construct, extend, repair, upgrade or otherwise improve energy generation, transmission or distribution facilities serving communities with extremely high energy costs. All energy generation, transmission and distribution facilities and equipment used to provide or improve electricity, natural gas, home heating fuels, and other energy services to eligible communities are eligible. Projects providing or improving service to communities with extremely high energy costs through on-grid and off-grid renewable energy technologies, energy efficiency, and energy conservation projects and services are eligible. A grant project is eligible if it improves, or maintains energy services, or reduces the costs of providing energy services to eligible communities. Examples of eligible activities include, but are not limited to, the acquisition, construction, replacement, repair, or improvement of:

(a) Electric generation, transmission, and distribution facilities, equipment, and services serving the eligible community;

(b) Natural gas distribution or storage facilities and associated equipment and activities serving the eligible community;

(c) Petroleum product storage and handling facilities serving residential or community use.

(d) Renewable energy facilities used for on-grid or off-grid electric power generation, water or space heating, or process heating and power for the eligible community;

(e) Backup up or emergency power generation or energy storage equipment, including distributed generation, to serve the eligible community; and

(f) Implementation of cost-effective energy efficiency, energy conservation

measures that are part of the implementation of a coordinated demand management or energy conservation program for the eligible community, such as, for example, weatherization of residences and community facilities, or acquisition and installation of energy-efficient or energy saving appliances and devices .

§ 1709.110 Use of grant funds.

(a) *Project development costs.* Grants may be used to fund the costs and activities associated with the development of an eligible energy project. RUS will in no case approve the use of grant funds to be used solely or primarily for project development costs. Eligible project development costs must be reasonable and directly related to the project and may include the following:

(1) Costs of conducting, or hiring a qualified consultant to conduct, a feasibility analysis of the proposed project to help establish the financial and technical sustainability of the project, provided that such costs do not exceed more than 10 percent of total project costs;

(2) Design and engineering costs, including costs of environmental and cultural surveys and consulting services necessary to the project and associated environmental review, siting and permit approvals; and

(3) Fees for legal and other professional services directly related to the project.

(b) *Construction costs.* Grant funds may be used for the reasonable costs of construction activities, including initial construction, installation, expansion, extension, repair, upgrades, and related activities, including the rental or lease of necessary equipment, to provide or improve energy generation, transmission, or distribution facilities or services;

(c) *Acquisitions and purchase.* Grant funds may be used for the acquisition of property, equipment, and materials, including the purchase of equipment, and materials, the acquisition or leasing of real or personal property, equipment, and vehicles associated with and necessary for project development, construction, and operation. Grant funds may be used for the acquisition

of new or existing facilities or systems where such action is a cost-effective means to extend or maintain service to an eligible community or reduces the costs of such service for the primary benefit of community residents.

(d) *Grantee cost contributions.* Grant funds may be applied as matching funds or cost contributions under Federal or other programs where the terms of those programs so allow use of other Federal funds.

§ 1709.111 Limitations on use of grant funds.

(a) *Planning and administrative costs.* Not more than 4 percent of each grant award may be used for the planning and administrative expenses of the applicant that are unrelated to the grant project.

(b) *Unproven technology.* Only projects that utilize technology with a proven operating history, and for which there is an established industry for the design, installation, and service (including spare parts) of the equipment, are eligible for funding. Energy projects utilizing experimental, developmental, or prototype technologies or technology demonstrations are not eligible for grant funds. The determination by RUS that a project relies on unproven technology shall be final.

§ 1709.112 Ineligible grant purposes.

(a) Grant funds may not be used for the costs of preparing the grant application, finders fees, fuel purchases, routine maintenance or other operating costs, or purchase of equipment, structures or real property not directly associated with providing energy services in the target community, or, except as provided in §1709.11(d), project construction costs incurred prior to the date of the grant award.

(b) In general, grant funds may not be used to support projects that primarily benefit areas outside of eligible target communities. However, grant funds may be used to finance an eligible target community's proportionate share of a larger energy project.

(c) Grant funds may not be used to refinance or repay the applicant's outstanding loans or loan guarantees under the Rural Electrification Act of 1936, as amended.