

# Loan Guarantees for Projects that Employ Innovative Technologies

Agency: Office of the Chief Financial Officer, Department of Energy

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## Program Overview

This is a proposed rule that would amend the regulations implementing the loan guarantee program authorized by section 1703 of Title XVII of the Energy Policy Act of 2005, which works with the Secretary of the Treasury to make loan guarantees for projects that:

- 1) Avoid, reduce, or sequester air pollutants or anthropogenic emissions of greenhouse gases
- 2) Employ new or significantly improved technologies as compared to commercial technologies in service in the United States at the time the guarantee is issued.

## Project Guidelines:

- I) **Solicitation:** The Department of Energy (DOE) may issue solicitations asking for Pre-Applications or Applications for loan guarantees for Eligible Projects. Before an application can proceed, a solicitation must be issued. Each solicitation will include:
  - a. The dollar amount of loan guarantee authority potentially being made available by DOE
  - b. Response deadlines and contact information
  - c. Format and page limit requirements of response submissions
  - d. Applicable response fees
  - e. Response evaluation criteria
- II) **Pre-Application:** Solicitations may seek pre-applications from potential project sponsors or applicants and must contain the following, in addition to those requirements described in the solicitation:
  - a. A cover page signed by an individual with the authority to bind the project sponsor or applicant that attests to the accuracy of the information in the pre-application
  - b. An executive summary which briefly describes key project components
  - c. A business plan which includes an overview of the project including a description of the project sponsor or applicant, a description of the new or innovative technology being employed, estimated project costs, a project timeline, projected or existing revenue sources, and a description of environmental impacts
  - d. A financing plan overview
  - e. Proof of financial commitment to the project from an eligible lender
- III) **Submission of Applications:** DOE may solicit or invite applications after review of pre-applications, or without the need for the pre-application process. Applications must include the following information:
  - a. A completed application form signed by an individual with the authority to bind the applicant and project sponsors
  - b. Payment of any applicable filing fees
  - c. A detailed description of all amendments, modifications, and additions made to the pre-application if one was initially required.
  - d. A description of how and to what extent the project meets the project requirements described in the project overview above
  - e. A description of the nature and scope of the project including key milestones, project location, and identification of and implementation plan for new or improved technologies employed in the project
  - f. A detailed explanation of the proposed project's eligibility
  - g. A detailed estimate of project costs and methodology
  - h. A description of any contractors, suppliers, or other partners

- i. A management and operations plan including information about management experience
- j. A detailed overall financial plan for the proposed project
- k. Copies of all existing or proposed material agreements
- l. The business plan on which the project is based
- m. Trailing three years financial statements
- n. An independent engineering report prepared by an engineer with experience in the industry and familiarity with similar projects
- o. The applicant's credit history report
- p. A status report on project related activities to-date and any contracts, agreements, or approvals for permits to-date
- q. An analysis demonstrating the applicant's ability to repay
- r. Written affirmation from an officer of an eligible lender

IV) **Term Sheets and Conditional Commitments:** After reviewing applications, DOE may offer detailed terms and conditions that must be met if a loan guarantee is to be issued that will outline all requirements for response including any applicable expiration date, and conditions associated with responses. When all requirements and conditions have been met, DOE and the applicant may enter into a Golan guarantee agreement.

V) **Loan Guarantee Agreement:** After consulting with the applicant and establishing a close date for an agreement, DOE can execute, through an authorized DOE Contracting Officer, a guarantee agreement. Prior to authorizing an agreement, DOE must ensure the following requirements have been met:

- a. The project qualifies and is not a research, development, or demonstration project or one that employs Commercial Technologies in service in the United States
- b. The project will be constructed and operated in the United States and the new or improved technology has the potential to be replicated in other commercial projects in the United States
- c. The face value of the debt guaranteed by DOE is no more than 80% of total project costs
- d. The borrower is obligated to make full repayment over a period the lesser of 30 years or 90% of the projected useful life of the project's major physical assets
- e. The borrower has no delinquent Federal debt

VI) **Eligible Lenders:** An eligible lender must meet the following requirements:

- a. Must not be debarred or suspended from participating in a Federal government contract or be delinquent on any federal debt or loan
- b. Must be legally authorized to enter into loan guarantee transactions and is in good standing with DOE and other federal agency loan guarantee programs
- c. Must be able to demonstrate, or has access to, experience in originating and servicing loans for commercial projects similar in size and scope to the proposed project
- d. Must be able to demonstrate experience or capability as the lead lender or underwriter in large commercial projects
- e. Must be the Federal Financing Bank