

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.