

Rural Utilities Service, USDA

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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,

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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.

§ 1709.113 Limitations on grant awards.

(a) The Administrator may establish minimum or maximum amount of funds that may be awarded in a single grant application within in any grant cycle in order to distribute available grant funds as broadly as possible. If the Administrator elects to impose a minimum or maximum grant amount, the limitations will be published in the grant announcement.

(b) The Administrator may restrict eligible applicants to a single award of grant funds or to a monetary cap on grant awards within a grant cycle in order to assure that the available grant funds are distributed as broadly as possible. If the Administrator elects to impose a limit or cap on grant awards, the terms will be established in the grant announcement.

§ 1709.114 Application process.

The RUS will request applications for high energy cost grants on a competitive basis by publication of a grant announcement as a Notice of Funds Availability (NOFA) or Notice of Funding Opportunity. The grant announcement will establish the amount of funds available, the application package contents and additional requirements, the availability of application materials, high energy cost community eligibility benchmarks, selection criteria and weights, priority consider-

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ations, and deadlines and procedures for submitting applications.

§ 1709.115 Availability of application materials.

Application materials, including copies of the grant announcement and all required forms and certifications will be available by request from the Agency and by such other means as the Agency may determine. In addition, the Agency may make available an application guide and other materials that may be of assistance to prospective applicants.

§ 1709.116 Application package.

The requirements for the application package will be established in the grant announcement. A complete application package will consist of the standard application for federal assistance (SF-424 series), as applicable, a narrative project proposal prepared in accordance with the grant announcement, an RUS environmental profile, and such other supporting documentation, forms, and certifications as required in the grant announcement and this part.

§ 1709.117 Application requirements.

(a) *Required forms.* The forms required for application and where to obtain them will be specified in the announcement. All required forms must be completed, signed and submitted by a person authorized to submit the proposal on behalf of the applicant. For applications and forms that are submitted electronically, the application must be authenticated as provided in the grant announcement. In the case of grant applications submitted electronically, the applicant may be required to provide signed originals of required forms prior to and as a condition of the grant award.

(b) *Narrative proposal.* Each application must include a narrative proposal describing the proposed project and addressing eligibility and selection criteria. The grant announcement will specify the contents, order, and format for the narrative proposal. The proposal must include all the required elements identified in this subsection. The grant announcement may establish additional required elements that