

**South Carolina Renewable Energy
Revolving Loan Program**

**OFFER
OF
PROJECT FINANCING**

Issued By
**THE SOUTH CAROLINA DEPARTMENT OF
AGRICULTURE**

In Cooperation With
THE SOUTH CAROLINA ENERGY OFFICE

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South Carolina Renewable Energy Loan Program

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I. GENERAL OVERVIEW

a. Summary

The South Carolina Department of Agriculture in cooperation with the South Carolina Energy Office is accepting applications for financing of renewable energy projects within the state of South Carolina. This offer is issued based on a mandate from the South Carolina General Assembly that establishes the “South Carolina Renewable Energy Infrastructure Development Fund.”

To view the full text of the legislation, visit www.energy.sc.gov and search under the “Funding Opportunities” section in order to locate the full law as well as other relevant documents.

This offer of project financing pertains to funding available from the South Carolina Renewable Energy Revolving Loan Program activity of the South Carolina Renewable Energy Infrastructure Development Fund, hereafter known as the Program.

b. Purpose

The South Carolina Renewable Energy Revolving Loan Program provides financing to implement economically feasible renewable energy projects in South Carolina. The program is administered by the South Carolina Department of Agriculture, in cooperation with the South Carolina Energy Office and under the approval of the South Carolina Renewable Energy Oversight Committee.

In providing the Program, the South Carolina General Assembly intends to create a sustainable foundation to develop a renewable energy industry across the state, to redirect a significant portion of energy expenditures now leaving the state into South Carolina’s economy, and to foster a cleaner, healthier, more productive environment by reducing the adverse impacts of use of fossil fuels. Success in meeting these overarching goals will be assessed by the degree to which investments made by the Program foster renewable energy production in the state of South Carolina as measured by one or more of the following metrics:

- a. The number of jobs produced, directly or indirectly, through production and use of renewable energy;
- b. The amount of renewable energy produced in the state, as measured in British thermal units (BTUs);
- c. The amount of fossil fuels displaced by renewable energy use in the state, as measured in BTUs;
- d. The number of renewable energy companies that either develop in South Carolina or relocate in whole or in part to South Carolina from another state;
- e. The capability to demonstrate the viability of renewable energy technologies to compete commercially within the state;

- f. Successful recruitment of projects with federal government department or agency partners who execute programs or conduct major projects in South Carolina that focus on renewable energy development;
- g. Successful recruitment of government, academic or industry partners who execute programs or conduct major projects in South Carolina that focus on renewable energy development;
- h. Selective deployment of market-ready renewable energy technology applications within South Carolina in sufficient numbers to provide the general public with visible evidence that these technologies are affordable and reliable; and
- i. The ability to achieve significant “firsts” in one or more niche markets that can be attributed to policies, practices or technologies developed in South Carolina.

II. ELIGIBILITY REQUIREMENTS

a. Eligible Projects

Renewable energy projects for which financing is desired must meet the following criteria:

- (1) The project description must indicate that funds will be used for purchase, construction, and/or installation of equipment used in production and/or use of renewable energy. The Program may not be used to replace an existing loan.
- (2) The project must utilize existing, proven reliable, commercially available technologies recognized by the Staff Review Committee.
- (3) Experimental or research-related technologies are not eligible for financing.
- (4) Renewable energy production systems must fall under one of the following energy categories:
 - (a) Biomass energy, including organic renewable materials including, but not limited to, landfill gas, wood and wood waste, crop waste, sewage, and manure;
 - (b) Liquid biofuels, including, but not limited to, ethanol and biodiesel;
 - (c) Solar energy; or
 - (d) Wind energy.
- (5) The project shall meet applicable state and local air, solid waste, and water quality regulations; and,
- (6) The Applicant must clearly demonstrate the ability to repay the loan within ten years or less, either from savings or profits generated as a result of the renewable energy project, or through other means.

b. Eligible Applicants

Entities eligible for loans include private businesses, private farming operations, private individuals, units of state and local government, school districts, non-profit organizations, and public and private colleges and universities.

The Applicant must own the facility or property where the renewable energy production equipment will be installed.

III. FINANCING PROVISIONS

a. Loan Amounts

The minimum loan amount is \$2,500 and the maximum amount is \$250,000. No loan from this program may exceed fifty percent of the total cost of the project. A Borrower's loan shall not exceed \$250,000 in a fiscal year based on the date of the loan commitment.

The total maximum amount of funds available in Round One for loans is \$1 million. The total maximum amount of funds available in Round Two is \$1 million, plus any amounts left over from Round One. Not all monies actually available may be committed. Additional rounds are yet to be determined.

b. Loan Term

Loan agreements have a minimum of one year and a maximum of ten-year terms. Preference will be given to projects with shorter terms.

c. Loan Interest Rate

Renewable Energy loans have an annual interest rate set at or below the Wall Street Journal Prime Rate. The interest rate is determined every July 1st based on the WSJ Prime Rate as a ceiling and is offered as a program fixed rate until the following first day of July. The interest rate for fiscal year 2008 is 3 percent and is a fixed rate.

d. Fees

The South Carolina Renewable Energy Revolving Loan Program does not impose administrative fees. However, should the borrower request funds for electronic transfer, special delivery charges, etc., then any associated charges may be collected prior to rendering service, or may be deducted from the disbursed proceeds.

e. Collateral

Eligible borrowers may borrow funds directly from the Program by the pledge of collateral. Collateral may include, but is not limited to, fixed assets which are tangible property used in the operation of the business, but not expected to be consumed or converted into cash in the ordinary course of events.

State-financed entities may forego collateral requirements if they agree to a collection remedy available through the State Treasurer's Funds Intercept Provision.

Public institutions may borrow funds directly from the Program with the pledge of future annual allocated funds by a supporting state or federal agency. These funds must be appropriated

annually to the organization and must be allocable to the implementation of renewable energy measures. The expectation is that these funds are appropriated for the life of the loan agreement.

f. Credit Review Process

The review process will include a credit check and the applicant will be asked to provide at least three years' financial statements and three trade references (if applicable).

IV. APPLICATION AND REVIEW PROCEDURES

a. Application Form and Content

The Application must include the Application Form, the Technical Analysis Report, and copies of the Applicant's financial statements for the last three years along with three trade references (if applicable). The Application Form and Instructions are available at the end of this document.

The Technical Analysis Report must include the following information if applicable:

- A description of system characteristics and energy data, including operational characteristics of the renewable energy production facilities;
- A description of the following:
 - (a) A detailed estimate of the cost of design, acquisition, and installation, including any monitoring equipment to assess the performance. Discuss pertinent assumptions as necessary;
 - (b) An estimate of annual fossil fuel avoidance using generally accepted engineering standards and practices, including all formulae, data and assumptions clearly presented in arriving at the estimate;
 - (c) A financial analysis of financial costs and benefits over a ten-year period;
 - (d) A proposed implementation schedule; and
 - (e) An engineering analysis where applicable.
- An outline of qualifications of the analyst documenting previous experience in renewable energy equipment construction, mechanical systems, and manufacturing processes.

b. Application Deadlines

Applications for loans may be submitted at any time during evaluation periods, also known as Rounds. In order to be evaluated the application must be received by one of two deadlines. Timelines for the first two rounds of review and selection will be as follows:

- a. Applications will be considered for Round One if received by November 15, 2007.
- b. Applications will be considered for Round Two if received by January 15, 2008.

Applications must be received by SCEO no later than 5:00 PM Eastern Daylight Time on Thursday, November 15, 2007 or no later than 5:00 PM Eastern Standard Time on Tuesday, January 15, 2008 to be considered for review and evaluation in the first two rounds as outlined above. Please submit one hard copy to:

South Carolina Energy Office
1201 Main Street, Suite 430
Columbia, SC 29201
Attn: Michael Hughes

Also, please send a copy of your submission by e-mail to:
mhughes@energy.sc.gov

Both the email and the hard copy must be received by the deadline.

c. Review of Applications

Loan applications will be evaluated for compliance with Program criteria by the Staff Review Committee as they are received. The committee is composed of staff from the Department of Agriculture, the South Carolina Energy Office, the South Carolina Institute for Energy Studies, and the Department of Commerce. This committee prepares a technical and financial analysis of each proposed project, along with an analysis of the credit-worthiness of the applicant.

If the Staff Review Committee determines the loan application is qualified, it will send the Applicant a letter indicating staff recommendations and will refer the loan application to the South Carolina Renewable Energy Oversight Committee. The Committee consists of seven members appointed by the Governor, the Commissioner of Agriculture, the Secretary of Commerce, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the chairman of the Senate Finance Committee, and the chairman of the House Ways and Means Committee.

The Renewable Energy Oversight Committee will evaluate qualified loan applications. This committee analyzes its commitments and disbursements to determine the amount of lending authority for the current and upcoming fiscal year. Members will prioritize loans for approval based on (1) leveraging of other funds, (2) likelihood of loan repayment, (3) quality of collateral, (4) economic development impact, (5) length of repayment period, and (6) relative importance of a loan from this Program to project success.

If the Staff Review Committee determines the loan application is not qualified, it will submit its analysis of the project to the Commissioner of Agriculture for his review. Upon consent of the Commissioner of Agriculture, a letter will be mailed to the Applicant disclosing the reasons for denial. If appropriate, the Applicant may submit additional materials to support reconsideration of the application, following the same procedures used for an initial review.

V. LOAN PROCESS

a. Loan Commitment

After an application is approved, the SCEO mails a commitment letter to the Applicant with the proposed loan agreement and repayment schedule. The commitment allows up to 60 calendar days to execute the loan agreement.

b. Loan Closing

Loans that are not closed within the allotted time frame of the commitment will automatically expire.

c. Vendor Contracts

Prior to committing loan proceeds to a contract, the Borrower must:

- a) Receive a loan commitment letter; and
- b) Provide a copy of the proposed construction/purchase contracts for review and approval of all terms pertaining to disbursements of its loan proceeds.

If this process is not adhered to, the loan agreement becomes null and void.

d. Project Implementation

After the loan agreement is executed, the Borrower must begin implementation of the renewable energy project within six months. Any requests for extensions must be submitted in writing to the South Carolina Renewable Energy Oversight Committee.

The date of implementation is established by an executed contractual agreement to implement the renewable energy project or by evidence of reimbursable costs incurred for the renewable energy project.

If a Borrower fails to begin implementation of the renewable energy project within six months of the loan agreement closing, it is in default of the loan agreement. This will result in the cancellation of the loan agreement.

e. Disbursement of Loan Proceeds

Disbursements are based on services rendered or costs incurred. Required documentation will be specified in the loan agreement. The Borrower must warrant that all work or construction done with the proceeds of the loan agreement under this program complies with all applicable building codes and standards.

f. Interest Accrual on loans

Interest accrual on loans begins on the final disbursement date for all loan proceeds or 12 months from the loan closing, whichever is the earliest date.

g. Project Reports and Monitoring

A final report must be submitted upon completion of the project. The report must include a description of the measures implemented, the actual cost of each measure, and the adjusted estimate of financial benefits resulting from the project.

The SCEO shall monitor the use of the funds under this program through a continuous review of reports. The SCEO shall monitor those buildings/projects where the renewable energy projects are in progress to verify that the installation of the renewable energy measures conforms to the original Technical Analysis. At least one visit shall be made to the site of each renewable energy project during the life of the loan agreement.

VI. QUESTIONS REGARDING THIS OFFER OF PROJECT FINANCING

Questions should be directed to Michael Hughes at the South Carolina Energy Office by one of the following methods:

Fax: (803) 737-9846

E-mail: mhughes@energy.sc.gov

Responses to all questions received will be posted on the SCEO web site (www.energy.sc.gov) in order that the information can be made available to all potential applicants.

VII. APPLICATION: Please print or type clearly.

a. Applicant Information:

Name of Institution: _____

Street Address: _____

Mailing Address: _____

Federal Tax ID#: _____

Contact Person: _____

Telephone #: _____

Signatory Official: _____

Position: _____

Telephone #: _____

Fax #: _____

b. Loan Purpose (Type of Proposed Improvements): _____

Description of Project:

Project Estimated Start Date (within 8 months of application date): _____

Project Estimated Completion Date (within 24 months of start date): _____

c. Location of Project:

Name of Building(s) _____
Building Ownership _____
Address: _____

d. Technical Analysis (Name of person or firm who completed either): _____

Architect/Engineer design: _____

e. Project Cost Summary:

Add more columns as necessary.

<u>Project Equipment</u>	<u>Estimated Cost</u>	<u>Projected Payback (yrs)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Total Project Cost: _____ Payback Period (yrs): _____

f. Financing Information:

Requested Financing Amount: _____

Requested Financing Term: _____

To be completed by SC Energy Office Personnel:

Set below the Wall Street Journal Prime Rate: 3.0%

***The interest rate is determined every July 1st based on Wall Street Journal Prime Rate and is offered as a program fixed rate until the following first day of July.

g. Accompanying Documents & Signature(s):

Note: The documents noted below must be submitted and approved prior to loan approval.

- 1. Copy of Technical Analysis**
- 2. Current Financial Statement**
- 3. Financial Summaries For Last 3 years**

Applicant's Signatory Official or Chief Financial Officer:

Name: _____

Title: _____

Signature: _____ **(L.S.)**

Date: _____