



Federal Incentives Guide Book for Small Hydropower

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Energy Policy Act 2005 Section 242

The Department of Energy's Section 242 is a federal hydropower production incentive program for development on existing infrastructure. "Existing infrastructure" is defined as non-powered dams and conduits.

Eligibility

Hydroelectric facility must:

- be located within USA jurisdiction
- owned and operated by a non-federal entity
- have begun producing energy for sale on or after October 1, 2005
- add capability to existing dam or conduit

Application Requirements

Detailed application instructions can be found at bit.ly/242guidance, but some major application components include:

- FERC docket number
- Detailed description of hydroelectric facility including
 - equipment and manufacturer
 - type of turbine
 - capacity of turbine
- Details on electricity metering
- Invoice of annual and monthly net metered energy sales
- Permit authorizations
- Tax Identification Number

Payment

1.8¢ per kilowatt hour

NOTE: Maximum payment shall not exceed \$750,000 per calendar year

Previous Years

42 recipients in 2020 receiving total of **\$7 million** worth of funding

See past recipients from 2015-2020 at bit.ly/DOEsec242.

Processing Applications

The Department of Energy will judge eligibility based on received documents. The incentive payment will be calculated as such:

$$\frac{\text{total appropriations in calendar year}}{\text{total dollar amount for qualified kWh}} \times \text{statutory rate}$$

Once the incentive payment is calculated based on net energy generated & sold, your application and payment will be processed.

send applications to
hydroincentive@ee.doe.gov

Renewable Electricity Production Tax Credit

The Production Tax Credit is a federal program for renewable energy including hydroelectric power. The duration of the credit is 10 years after the energy facility was placed in service.

Eligibility

Hydroelectric power that:

1. is generated without a dam or irrigation system canal/ditch
2. has capacity **greater than 150kW** but less than 5mW

Note: You must be able to prove that construction on hydropower facility has commenced to be eligible for the Production Tax Credit. This can be done either through a **Physical Work Test**, which means some physical work of significant nature has already been completed for the facility, (i.e. foundation has been laid), or through **Safe Harbor**, which is when 5% or more of the total cost of the facility has been paid. Specific details can be found at bit.ly/PTCirs.

How to Claim

1. Review 2021 IRS production tax credit rules bit.ly/2021PTCirs.
2. Complete "Renewable Electricity Production Credit" Form 8835. Find this form here at bit.ly/PTC8835.
3. Complete "General Business Credit" Form 3800. Find this form here at bit.ly/PTC3800.
4. File these forms with IRS.
5. Direct questions to IRS at 1-800-829-4933.

Tax Credit

1.3¢ per kilowatt hour

NOTE: no maximum amount per year

Credit Period

Credit period for hydropower facilities placed in service before August 8, 2005:

10 years

USDA Rural Energy for America Grants

The USDA Rural Energy for America Grants Program provides both grants and guaranteed loan financing for eligible candidates of renewable technologies in an attempt to increase private sector renewable energy. Specific details can be found at bit.ly/usdaguidance.

Eligibility

Eligible applicants must be:

- an **agricultural producer** receiving 51% or more of gross income from agricultural production
- a **rural small business** in a rural area with $\leq 50,000$ residents

Eligible technologies:

- Renewable Energy
 - **small hydroelectric under 30mW**
 - also solar, wind, geothermal, wave/ocean power, biomass
- Energy Efficiency
 - lighting, heating, cooling, ventilation, fans, automated controls, insulation

Eligible project costs include:

- purchasing or installing equipment
- retrofitting
- permit/license fees
- professional service fees
- POST-application improvements



Ineligible project costs include:

- energy for residential homes
- used equipment
- PRE-application improvements
- line of credit
- lease



Grant Amount

Grants can cover up to **25%** of total project costs. Applicants must cover remaining 75%.

Renewable Energy Grants:

Minimum: \$2,500
Maximum: \$500,000

Energy Efficiency Grants:

Minimum: \$1,500
Maximum: \$250,000

USDA Scoring Guide

The USDA has a detailed scoring guide to judge applications and select grant-receivers. A score of 85 is the most competitive score possible.

Score Sections include:

- Quantity of Energy Generated or Saved per Reap Grant Dollar Requested
- Environmental Benefits of HydroElectric Power
 - specifically, does it benefit any of these three areas?
 - Resource Conservation (i.e. renewable energy)
 - Public Health (i.e. water/air quality, pollution)
 - The Environment (i.e. reducing emissions, flood control, increasing water supply)
- Document Equity and Loan Commitments
- New Grantees automatically receive 15 points
- Payback Period
 - shorter payback period is preferred by USDA and highly rewarded with points

How to Apply

1. Reach out to the Rural Development Energy Coordinator in your state. Find contact information for your coordinator at bit.ly/USDAcoord.

2. First register online through [System for Award Management](#) and [Data Universal Number System](#).

3. Complete Relevant Forms

- Application for Federal Assistance
 - Form SF-424 at bit.ly/SF424USDA
- Budget Info (Construction Programs)
 - Form 424-C at bit.ly/424CUSDA
- Assurances (Construction Programs)
 - Form 424-D at bit.ly/424DUSDA
- Application for Total Project Costs of \$80,000 or less
 - Form at bit.ly/RD4280-1
- Application for Total Project Costs of less than \$200,000 but more than \$80,000
 - Form at bit.ly/RD4280-2
- Application for Total Project Costs of \$200,000 or greater
 - Form at bit.ly/RD4280-3
- Request for Environmental Information Form
 - Form at bit.ly/USDAenv
- Felony Conviction and Tax Delinquent Status for Corporate Applicants
 - Form at bit.ly/USDAfel

Application Deadlines

Applications for Grants of \$20,000 or Less due by **November 1, 2021 or March 31, 2022**

Applications for Unrestricted Grants due by **March 31, 2022**

