

§ 1710.362

satisfactorily demonstrate to the Administrator an acceptable basis for doing so and can demonstrate that the loan will be feasible and secure pursuant to §§ 1710.112 and 1710.113, respectively, for the longer period. As used in this paragraph, renewable energy resource equipment and facilities are not considered a DSM purpose. Maturities for such loans will be limited to the expected useful life of the equipment and facilities.

§ 1710.362 Loan approval.

The amount and scope of loans approved by RUS under this subpart are subject to the discretion of RUS. Applications will be evaluated on the merits of the proposals as outlined in the plans specified in this subpart. RUS approval of a loan for purposes under this subpart and/or RUS approval of IRPs and DSM plans does not relieve a borrower of its responsibilities under this subpart or constitute a representation or warranty by RUS to the borrower or any person that its IRP or DSM plan will work as described therein.

§ 1710.363 Advance and documentation of use of loan funds.

(a) Loan funds for on-grid renewable energy systems will be advanced using the same procedure as loans for other electric system facilities.

(b) *Loan funds for DSM activities.* (1) Funds for these purposes shall be advanced and used only for the specific projects and purposes detailed in the loan application and supporting documents. Generally funds shall be drawn down on a reimbursement basis. The borrower shall certify completion of work according to the DSM plan.

(2) The borrower shall maintain accounting and plant records sufficient to document the cost and location of DSM activities and to support loan fund advances and disbursements.

(3) All cost associated with DSM projects related to construction, operations or maintenance, shall be accumulated using the borrower's work order procedure. An individual work order or work orders shall be used to record and control the costs of each DSM project. Daily time and material reports referenced to the DSM activity shall be kept to record labor and mate-

7 CFR Ch. XVII (1-1-01 Edition)

rials used as the activity(ies) is completed.

(4) All other disbursements for DSM activities must be properly supported by invoices, contracts, or other forms of evidence required by RUS regulations. All such supporting material shall be available at the borrower's premises for review by the RUS Field Accountant, borrower's certified public accountant and other authorized parties as applicable. Costs of DSM activities related to operations and maintenance should be charged to expense in the month incurred. Departures from this prescribed accounting must be approved by RUS subject to the provisions of 7 CFR 1767.13.

(c) Requirements on advance of funds for all insured electric loans are in 7 CFR part 1721, subpart B.

§ 1710.364 Loan limits.

Cumulative loans DSM activities at the time of loan approval for, including energy conservation programs and off-grid renewable energy systems, shall not exceed the lesser of:

(a) Twenty percent of the borrower's equity at the time of the loan or any time during amortization of the loan; or

(b) An amount approved for such purposes in a final non-appealable order by the applicable regulatory body for inclusion in the borrower's rate base.

Subpart I—Application Requirements and Procedures for Insured and Guaranteed Loans

SOURCE: 60 FR 3731, Jan. 19, 1995, unless otherwise noted.

§ 1710.400 Initial contact.

(a) Loan applicants that do not have outstanding loans from RUS should write to the Rural Utilities Service Administration, United States Department of Agriculture, Washington, DC 20250-1500. A field or headquarters staff representative may be assigned by RUS to visit the applicant and discuss its financial needs and eligibility. Borrowers that have outstanding loans should contact their assigned RUS general field representative (GFR) or, in the case of a power supply borrower,

the Director, Power Supply Division. Borrowers may consult with RUS field representatives and headquarters staff, as necessary.

(b) Before submitting an application for an insured loan the borrower shall ascertain from RUS the amount of supplemental financing required, as set forth in § 1710.110. If the borrower is applying for either a municipal rate loan subject to the interest rate cap or a hardship rate loan, the application must provide a preliminary breakdown of residential consumers either by county or by census tract. Final data must be included with the application. See § 1710.401(a)(8).

§ 1710.401 Loan application documents.

(a) *All borrowers.* All applications for electric loans shall include the documents listed in this paragraph. The first page of the application shall be a list of the documents included in the application. The borrower may use RUS Form 726, Checklist for Electric Loan Application, or a computer generated equivalent as this list.

(1) *Transmittal letter.* A letter signed by the borrower's manager indicating the actual corporate name and taxpayer identification number of the borrower and addressing the following items:

(i) The need for flood hazard insurance;

(ii) Breakdown of requested loan funds by state;

(iii) A listing of the counties served by the borrower;

(iv) A listing of threatened actions by third parties that could adversely affect the borrower's financial condition, including annexations or other actions affecting service territory, loads, or rates; and

(v) A listing of pending regulatory proceedings pertaining to the borrower.

(2) *Board resolution.* This document is the formal request by the borrower's board of directors for a loan from RUS. The board resolution shall include:

(i) The requested loan amount, loan term, final maturity, and method of amortization (§ 1710.110(b));

(ii) The sources and amounts of any supplemental or other financing;

(iii) Authorization for RUS to release appropriate information to supplemental or other lender(s), and authorization for these lenders to release appropriate information to RUS; and

(iv) For an insured loan, a statement of whether the application is for a municipal rate loan, with or without the interest rate cap, or a hardship loan. If the application is for a municipal rate loan, the board resolution must indicate whether the borrower intends to elect the prepayment option. See 7 CFR 1714.4(c).

(3) *RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers.* This form together with its attachments lists the construction, equipment, facilities and other cost estimates from the construction work plan or engineering and cost studies, and the sources of financing for each component. The date on page 1 of the form is the beginning date of the loan period and shall be the same as the date on the Financial and Statistical Report submitted with the application (paragraph (a)(5) of this section). Form 740c also includes the following information, exhibits, and attachments:

(i) *Description of funds and materials.* This description details the availability of materials and equipment, any unadvanced funds from prior loans, and any general funds the borrower designates, to determine the amount of such materials and funds to be applied against the capital requirements estimated for the loan period.

(ii) *Useful life of facilities financed by the loan.* Form 740c must include, as a note, either a statement certifying that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. This statement or schedule will be used to determine the final maturity of the loan. See § 1710.115.

(iii) *Reimbursement schedule.* This schedule lists the date, amount, and identification number of each inventory of work orders and special equipment summary that form the basis for the borrower's request for reimbursement of general funds on the RUS