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USDA Opens $410 Million Energy Program With a 40% Forgiveness Provision and an October 9 Deadline

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USDA's Rural Utilities Service opened the Powering Affordable Reliable Technology ("PART") Energy Program on September 8, 2026. The program offers partially forgivable loans — with up to 40 percent of the principal forgiven — for renewable generation and supporting energy storage. Roughly $410 million in appropriated budget authority is available, with individual awards ranging from $1 million to $100 million.

Letters of Interest close October 9, 2026, and RUS reviews them in the order received.

For clients weighing a rural energy project, the forgiveness provision alone justifies a close look. But the Notice of Funding Opportunity contains several features that will surprise applicants who approach it expecting a conventional federal loan program. Five are worth understanding before anyone commits to a filing.

What the program funds

PART finances two things: generation from renewable energy resources, and energy storage systems that support them.

The definition of "renewable energy resource" is narrower here than in other federal programs. For generation purposes, it means an energy conversion system fueled by hydropower, biomass, or geothermal sources. Solar and wind generation are not on that list.

Energy storage is treated separately and more permissively. A storage system may be charged with any renewable resource eligible under Section 317(a) of the Rural Electrification Act. But the storage must support an eligible resource. A standalone battery charged from the grid is not what this program was written for.

Five features that will catch applicants by surprise

1. This is reimbursement, not construction financing.

Award funds are disbursed as reimbursement for eligible program costs after the project is complete and its performance verified. Applicants carry the construction themselves and are repaid afterward.

That single provision reshapes the capital planning. A borrower needs a construction financing source independent of the PART award, and the forgiveness, however attractive, arrives at the end rather than the beginning.

2. Twenty-five percent equity, and it cannot come from debt

Project Loans finance up to 75 percent of total capitalized project costs. The applicant must supply the balance in cash or equity that may not be derived from debt instruments.

Tax credits may be counted toward the equity requirement at the Administrator's discretion. This is a meaningful provision given that energy storage retains the full Section 48E investment credit for projects beginning construction through 2033. But the base rule is strict, and a capital stack assembled from layered debt will not satisfy it.

3. Build America, Buy America applies

All iron and steel must be produced in the United States, and manufactured products must exceed 55 percent domestic content. For applicants contemplating imported equipment (anaerobic digestion technology and specialized generation components in particular) this governs supplier selection from the outset. A waiver process exists, but a waiver request inside a rolling-review window is a delay most applicants cannot absorb.

4. Merchant projects and consumer-owned behind-the-meter projects are excluded

Funding will not be provided for merchant power projects, for projects where a non-utility entity generates power for its own use, or for behind-the-meter projects owned by the consumer.

The second and third exclusions deserve attention. A project sited at an institutional host (a campus, a hospital, a manufacturing facility) may be disqualified if the host owns it and consumes the output. The distinction between a host and an owner matters here in a way it does not under most programs.

5. Construction cannot have started

Only projects where construction begins after the NOFO's publication date are eligible. Work already underway does not qualify.

The eligibility question worth resolving before filing

The NOFO reads two ways on who may apply, and the difference is material.

Section 3.1 states that RUS will accept Letters of Interest "from Operating Utilities as described below," then lists for-profit organizations, state and local governments, Indian Tribes, Alaska Native Corporations, nonprofits, distribution and generation-and-transmission cooperatives, and certificated electric utilities. An "Operating utility" is defined as a service provider holding a certificate of convenience and necessity, or equivalent authority by operation of state or federal law.

The definitions section reads differently. It provides that any PART Award to an applicant that is not a current Operating utility "shall be a Project Loan," and separately that System Loans "are not available to non-operating utility energy developers or their wholly-owned non-operating entities."

That language contemplates non-utility developers as applicants (limited to Project Loans) and would have little purpose if only certificated utilities could apply. Prospective applicants who are not operating utilities should resolve this with RUS before investing in a filing. Section 4.7(f) also permits co-applicants to submit a joint Letter of Interest, which may offer a path where single-applicant eligibility is uncertain.

Questions go to Christopher A. McLean, Assistant Administrator, Electric Program, at SM.RD.RUS.PART-Questions@usda.gov

Two points in applicants' favor

Rural eligibility may already be established. Service areas of current or former RUS or REA borrowers are deemed rural under this NOFO. For projects in cooperative territory, that removes a determination step entirely. Where it does not apply, the NOFO requires at least 50 percent of the service territory to be rural, with "rural" defined as anything other than a city, town, or unincorporated area exceeding 20,000 inhabitants. This is a comparatively generous threshold.

PART can be combined with other governmental benefits. The forgiveness provision does not preclude stacking with other federal programs, which keeps the storage investment tax credit and USDA's Section 9003 loan guarantee program available alongside it.

What to do before October 9

The Letter of Interest is a screening document rather than a full application. Applicants invited to proceed receive 60 days to complete the filing. That makes the October deadline achievable for a project that is well-defined, even if the full application is not yet assembled.

Three things are worth doing now: confirm eligibility with RUS if the applicant is not a certificated utility; confirm that the intended equity contribution satisfies the non-debt requirement; and review any land lease against the NOFO's collateral assignment requirements, since loan maturity is limited by the lease term where the applicant does not own the site.

This post is for general informational purposes and does not constitute legal advice. Program terms are drawn from the PART Fiscal Year 2026 Notice of Funding Opportunity, RUS-PART-2026.