




**Assistant Administrator's
 Corner**

The RUS Electric Program is proud to announce a new proposed program for our RUS Electric Program borrowers.

On July 26, 2012, the proposed Energy Efficiency and Conservation Loan Program regulation was published in the Federal Register. This program will allow RUS borrowers to re-lend funds to homeowners and businesses to finance energy efficiency upgrades. RUS borrowers will also be able to finance energy efficiency and weatherization projects in their own facilities to decrease energy costs across the entire system.

We are currently seeking public comment on this proposed rule to make sure we are addressing our borrowers needs. Please let us know if you have any concerns or questions.

We look forward to working with you as we begin a new chapter for the Electric Program.

 - Nivin Elgohary

WHAT'S INSIDE

Next Steps	2
Energy Efficiency: A Case Study	2
Technical Details	3



RUS ELECTRIC ENERGY EFFICIENCY REGULATION NEWSLETTER

Helping improve the economy and life in rural America

Energy Efficiency Special Edition July 26, 2012

Program Summary

Why are we creating a new program?

Rural Utilities Service published the proposed Energy Efficiency and Conservation Loan Program on July 26, 2012 which implements Section 6101 of the 2008 Farm Bill. Section 6101 expands the ability of the electric program to make loans for energy efficiency activities. This proposed rule supports President Obama's Recovery through Retrofit Initiative (RTR). RTR requires Federal Agencies to complete activities that increase green job opportunities and boost energy savings by retrofitting homes for energy efficiency.

What are the eligible activities and investments?

The proposed rule will allow RUS to finance:

- Energy efficiency measures on a consumer premises
- Small scale distributed generation: on or off grid renewable energy systems
- Demand side management investments
- Energy audits
- Consumer education and outreach programs
- Power factor correction equipment on the consumer side of the meter
- Re-lamping to more energy efficient lighting
- Other investments approved by RUS as part of an energy efficiency program
- Community awareness and outreach programs

How different are the loan requirements from the current Electric Program?

The following are a list of loan requirements under this proposed rule:

- Loans for 15 years, except for ground source loop investments (up to 30 years)
- Up to 5% of the loan can be advanced initially to start an energy efficiency program.
- Loans cannot exceed 100% of the net utility plant.
- Consumer education and outreach programs are limited to 4% of the loan amount.

Please visit the: [Energy Efficiency and Conservation Loan Program website](#) to review the regulation and obtain additional information.

Presidential Endorsement

This program has received support from the White House and Secretary Vilsack:

As the President stated in his January 2011 State of the Union Address, "Of course, the easiest way to save money is to waste less energy. So here's a proposal: Help manufacturers eliminate energy waste in their factories and give businesses incentives to upgrade their buildings. Their energy bills will be \$100 billion lower over the next decade, and America will have less pollution, more manufacturing, more jobs for construction workers who need them. Send me a bill that creates these jobs... We've got crumbling roads and bridges; a power grid that wastes too much energy; an incomplete high-speed broadband network that prevents a small business owner in rural America from selling her products all over the world."

Secretary Vilsack stated in his July 17 address, "There are three important reasons why this is an important program in Rural America: 1) It's about Jobs, there is no question that Jobs will be created in rural communities because of this program 2) It's also about increasing our energy security in this country, the less energy we use, the less we have to buy from foreign sources 3) And for the RECs and the REAs it's a tremendous opportunity for them to avoid or delay additional generation costs."



"The upfront costs of energy improvements often preclude homeowners and businesses from investing in cost-effective, energy efficiency upgrades. This rule will help make those costs more affordable by expanding financing opportunities through an energy efficiency loan program,"

-Jonathan Adelstein,
Administrator

NEXT STEPS: Accepting Comments, Reviewing Comments, Program Implementation

The proposed Energy Efficiency and Conservation Loan Program regulation was published on July 26, 2012. Before the program is implemented, the following activities need to take place:

RUS is accepting comments on the energy efficiency regulation

RUS is asking for comments on the regulation through September 26, 2012. We are particularly requesting comments on the following questions:

1. What threshold should be set for small scale renewable energy systems?
2. What is the appropriate markup above the Treasury-based interest rate that the utility should be allowed to add to cover its administrative costs?
3. What is the appropriate performance thresholds that should be set for energy efficiency products? Are the standards set in the regulation reasonable?
4. Should fuel switching be an eligible activity under this programmatic regulation? Should fuel switching projects be limited to 50% of the average anticipated electrical load?
5. Is the one percent cap on interest rates that utilities may charge to high or to low? Should the limit for administration and miscellaneous expenses remain at four percent?
6. Should this program be limited to \$250 million a year?

Please submit comments via <http://www.regulations.gov>, and follow the instructions for submitting comments.

RUS will review the comments submitted

Once the comment period closes, RUS will review the comments, revise the regulation, then submit the rule to OMB for final clearance. The regulation will go through a 90 day review by the Administration before the regulation is published.

Program implementation

Once the final rule has been published in the Federal Registrar, RUS must wait 60 days before issuing any loans. We expect to issue the first energy efficiency loans in March of 2013.

Energy Efficiency Program: A case study

Whether your looking to expand or create a new energy efficiency program, there are many case studies of successful energy efficiency programs. Michigan's "Clean, Renewable and Efficient Energy Act" was enacted in 2008. The act requires Michigan utilities to adopt a renewable energy portfolio standard of 10% by 2015, a net metering program and an energy optimization (efficiency) program that establishes a maximum 1% annual energy reduction target by the year 2012.

Midwest Energy has partnered with other Michigan cooperatives associations and municipal utilities to leverage their efforts; forming a collective to minimize program costs and expand efficiency programs throughout Michigan. Midwest Energy Cooperative alone, has reduced energy consumption by 9,124 MWh since 2009.

"One of our goals is to help members make good decisions with respect to energy consumption," says Robert L. Hance, President and CEO of Midwest Energy. "As our residential and commercial members finance these programs, we want to ensure they all benefit to the fullest extent possible." Programs offered by Midwest Energy include rebates on HVAC equipment and Energy Star rated appliances and products, online and on-site weatherization audits and kits, appliance recycling, rebates on commercial re-lamping projects and much more. A full list of our programs and services can be found at www.michigan-energy.org or www.teammidwest.com.

TECHNICAL DETAILS

"People ask me all the time - how can we expand opportunities for green jobs? How does a green economy help middle class families?

That's why today I am asking the Council on Environmental Quality to report back to the Task Force in 90 days with proposals that expand those opportunities, and boost energy savings for the middle class?

- Vice President Biden

The proposed Energy Efficiency and Conservation Loan Program has technical components that we would like to highlight:

The list of eligible investments and activities listed in the regulation is not exhaustive

- The regulation is intended to be flexible to allow the utility's energy efficiency program to reflect the needs of the service territory.
- Eligible energy efficiency investments include: heating and cooling system improvements; building envelope improvements; energy audits; water heater upgrades; and ground source heat pumps.

We have set performance thresholds in the regulation

- Minimum thresholds were set to ensure energy efficiency upgrades are consistent across energy efficiency programs. These thresholds appear as percent increases in system efficiency.

Application requirements

The application process is slightly different from the existing loan program.

- **An eligible energy efficiency program must have a business plan for implementing the program:** The business plan will have elements such as: executive summary, organizational background, marketing plan and operation plan, financial plan and a plan for risk analysis. The business plan will require the borrower to demonstrate program costs and anticipated energy savings.
- **An eligible energy efficiency program must have a quality assurance plan:** The quality assurance plan must demonstrate there are qualified energy managers or professional engineers in place to evaluate program activities and investments, and there are energy auditing personnel available who will audit frequently.
- The proposed program requires the borrower's environmental report (ER) to reference the programmatic environmental assessment (PEA). The ER should identify other workplan projects not in the PEA. RUS' PEA will have a 30 day public comment period; publication is expected in the coming months.

Executing funding

- Expenditures will be reimbursed similar to the current program.
- Subpart H in the proposed regulation lists the information RUS needs to approve an energy efficiency loan.
- **Program activity will be captured under a separate energy efficiency work plan. Energy efficiency investments will not be listed on the traditional construction work plan.**

Additional Resources

- For more information on this program, please visit our [website](#).
- Guidance documents will be provided on our website once the final rule has been published. These guidance documents will explain the new programs procedures and requirements.