Pilot Programs Will Ensure Quick Start and Strong Program—The first cooperatives applying for loans are to be considered "pilot" projects to allow more rapid internal RUS movement as well as to establish what works and what does not work.

COST–EFFECTIVE RESPA WILL CREATE JOBS

The total cost is $993 million for a 10-year, $4.9 billion consumer loan program, consisting of:

- $755 million in budget authority for the $4.9 billion in zero interest loans to cooperatives
- $200 million for the grant fund to provide jump-start funds
- $1.1 million annually for ten additional RUS staff
- $2.5 million annually to fund measurement and verification systems to ensure that improvements are installed as contracted and projected energy savings are achieved
- $2 million one-time-grant to train electric co-op personnel to develop and implement the consumer-level efficiency loan programs

This proposal will create or save an average of 20,000 to 34,000 additional jobs each of the ten years of the program.

NRECA URGES MEMBERS OF CONGRESS TO:

- Co-sponsor the Rural Energy Savings Program Act, H.R. 4785 and S. 3102.

NRECA THANKS MEMBERS OF CONGRESS WHO HAVE CO-SPONSORED RESPA.

NRECA **2010** LEGISLATIVE CONFERENCE

ENERGY EFFICIENCY

Saving Energy, Empowering Consumers

HYATT REGENCY CAPITOL HILL • 400 NEW JERSEY AVENUE, NW • WASHINGTON, DC

NRECA
A Touchstone Energy® Cooperative

ELECTRIC CO-OPS ARE COMMITTED TO ENERGY EFFICIENCY

The not-for-profit business model encourages cooperatives to use all cost-effective methods to keep electricity affordable for the consumers who own the cooperative. Rising costs of new generation resources mean that efficiency is often the "least-cost" generation resource.

Co-ops' engagement with energy efficiency has resulted in the following achievements:

- Cooperatives serve only 12 percent of the nation's consumers but are responsible for nearly 25 percent of the nation's residential peak load management capacity.
- 96 percent of cooperatives have an efficiency program.
- 70 percent of co-ops offer financial incentives to promote greater efficiency.

Cooperatives support federal incentives to remove barriers so efficiency investments can be maximized. For example, NRECA supports extensions of consumer efficiency tax credits, increased federal investment in advanced energy technologies, and strengthened efficiency of hydropower projects and other existing generation. In the Energy Investment and Security Act of 2007, NRECA supported a national efficiency model building code. In 2008, NRECA called for a massive investment in weatherization for the poorest fifth of U.S. households. A federal program is needed that would maximize the cooperative delivery system and provide some additional support for the tough job of capturing efficiencies in rural communities.

CO-OP CONSUMERS NEED A NEW EFFICIENCY PROGRAM TAILORED TO THEIR NEEDS

In 2010, the convergence of energy policy and federal efforts to create jobs has yielded several energy efficiency proposals aimed at encouraging consumers to make energy efficiency investments. Popular mechanisms in these proposals include access to lower-cost capital, equipment and materials rebates or tax credits. NRECA believes these proposals have a great deal of merit. However, none of them quite fit the demographics of the people and areas typically served by electric cooperatives.

Nationally, two-thirds of the electricity distributed by cooperatives is delivered to homes, farms and ranches with the remainder going to commercial and industrial businesses. In comparison, other electricity sectors' load is two-thirds commercial and industrial businesses. One out of seven people served by cooperatives live below the federal poverty line. The average cost ($1,500 and up) of transformational energy efficiency upgrades has deterred many co-op consumers from making their homes and businesses more efficient. Co-op consumers often can see striking reductions in energy usage when aggressive efficiency measures are applied. However, there are many barriers. Many consumers lack enough disposable income, adequate access to information about cost-effective efficiency measures, or knowledge of trusted contractors to do the work.

These concerns were the springboard for the introduction of legislation creating the Rural Energy Savings Program Act (RESPA) this spring. RESPA would provide electric cooperative consumers with low-cost financing for energy efficiency improvements to homes and businesses that hold the potential of delivering enough savings in energy costs to substantially pay back the loan in ten years.

A NEW PROPOSED RUS LENDING PROGRAM WILL BOOST CO-OPS' EFFICIENCY EFFORTS

RUS Loans and "Jump-Start" Grants—Under this proposed legislation, the U.S. Department of Agriculture Rural Utilities Service (RUS) will administer the loan program at the heart of RESPA. RUS will be able to issue $4.9 billion in 10-year, zero interest loans to individual co-ops or state-based groups of co-ops to fund low-interest (no more than 3 percent) loans to consumers and businesses. A co-op borrower can also tap a "jump-start" grant of no more than 4 percent of the loan amount to defray costs of providing service to the first consumers until the cooperative receives loan funds.

RUS will use its existing procedures to approve loans and advance funds. In accordance with current practice in RUS Electric programs, no loan funds will be advanced on approved loans until the co-op borrower submits documentation of work completed for the approved purposes of this program. Every RESPA dollar loaned by RUS to a co-op will be repaid within ten years after the cooperative re-lends the funds to the consumer. There is zero risk to the federal government for consumers' repayment because the co-op will absorb the risks of the payment of consumer loans. Further, the participating co-op will have to expend its own funds to set up and manage the program in the same way cooperatives outlay funds to pay for the costs of adding new generation.

Co-ops and Consumers Will Work Together to Use RESPA Funds Wisely—The co-op applicant will specify the efficiency measures it intends to implement and the expected savings for consumers. When the RUS loan is approved, the co-op, in turn, will provide low-interest micro-loans to consumer residences or businesses if an energy audit indicates potential for significant energy savings.

Typical consumer loans will be $1,500 to $7,000, and will cover sealing, insulation, HVAC systems, boilers, roofs, and other improvements co-ops can demonstrate will produce sufficient savings. Consumer loan amounts from the co-op may only be used to make energy efficiency improvements to fixtures that convey with the house or business dwelling. Loans may not be used for appliances that do not convey with the structure, such as refrigerators and window AC units.

Participating consumers will repay the co-op for the installation and material costs through an extra charge on their utility bills within not more than a 10-year window. The energy savings from the upgrade will cover most, if not all, of the cost of the loan. After the loan is repaid, consumers will continue to save on energy bills, potentially hundreds of dollars annually.

Ensuring a Culture of Accountability—As part of standard RUS procedure, every RESPA loan recipient will annually provide to RUS:

- Evidence of no self-dealing
- Review of program effectiveness as defined by measurement and verification results
- Efficiency contractor qualifications

A grant will fund a program-wide measurement and verification system to track quality control and savings for the 10-year loan period. A training program will be established, funded by a $2 million grant, to provide utility auditors with information about how to implement the measurement and verification of savings, how to establish contractual relations with efficiency upgrade contractors, and how to assist consumers receiving efficiency upgrades.

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