Environmental and Energy Study Institute

Fact Sheet

Rural Energy Savings Program

June 2012

The Rural Energy Savings Program (RESP) is an innovative solution to address the special challenges and opportunities facing rural communities to save energy, cut household utility bills, improve comfort, and reduce greenhouse gas emissions. Creating stable, high-skilled jobs and keeping more dollars in the local economy are important added benefits. The program finances energy efficiency improvements for rural homes with low-interest loans that are repaid through customers' electric bills (known as "on-bill financing"). Many customers are more likely to participate in on-bill financing programs, which do not necessitate upfront capital, than traditional rebate or tax incentive-based home improvement programs.

BILL SUMMARY

Currently proposed legislation would establish RESP in the U.S. Department of Agriculture's Rural Utilities Service (RUS). The program would provide long-term loans to public and cooperative electric utilities. These funds would then be used to offer low-interest loans to their consumers for energy efficiency improvements to their homes. Consumers would repay the loan directly via on-bill financing on their monthly utility bill through savings from their reduced energy consumption.

To receive a loan, the bill specifies that utilities must establish a list of cost-effective, commercial off-the-shelf energy efficiency measures expected to decrease the energy use of qualified consumers. Utilities must also prepare an implementation plan for use of the loan funds and provide a measurement and verification plan to evaluate the effectiveness of the loan. Participating utilities can operate revolving loan pools for up to 20 years, after which the bill requires the utilities to repay the original loan to the RUS at no interest. Utilities may charge participating consumers up to three percent interest to offset program costs and to establish a loan loss reserve.

To assist utilities with program implementation and ensure quality control, the bill requires that USDA develop a protocol for measuring energy consumption and verifying the effectiveness of energy efficiency measures and establish a measurement and verification advisory committee. USDA must also enter into agreements with outside groups to provide technical assistance and training to participating utilities, as well as establish a process to compile and maintain a directory of energy efficiency auditors. USDA must accomplish these tasks within two months of the bill's final passage.

LEGISLATIVE HISTORY

Legislation to create RESP was introduced in March 2010 in both the House and Senate. Led by Rep. James Clyburn (D-SC), the Rural Energy Savings Program Act (HR 4785) garnered 56 co-sponsors with strong bipartisan support. The House Agriculture Committee approved the bill by voice vote in July 2010. The House passed HR 4785 by a vote of 240-172 in September 2010. The Senate bill (S. 3102) was introduced by Sen. Jeff Merkley (D-OR) with co-sponsors Sen. Richard Lugar (R-IN) and Sen. Lindsey Graham (R-SC). Despite 19 sponsors, the Senate did not act on S. 3102 before the end of the session.

Sen. Merkley, with Sen. Lugar, reintroduced the Rural Energy Savings Program Act (S. 2216) in March 2012. Sen. Lugar and Sen. Kent Conrad (D-ND) then included S. 2216 as part of an amendment to the farm bill during the Senate Agriculture Committee markup. The Conrad-Lugar amendment passed by voice vote. The full farm bill, with the Rural Energy Savings Program intact, passed the Senate in June by a 64-35 vote. The House plans to markup its version of the farm bill by mid July.

DIFFERENCES BETWEEN HOUSE AND SENATE BILLS

Though largely the same, the bill originally reported by the House Agriculture Committee in July 2010 is not identical to language currently in the Senate farm bill. The most critical difference is funding: the House provided RESP $993 million over five years, the Senate does not currently specify funding levels. Other differences include:

- HR 4785 limited fund availability to five years; S. 2216 continues the program until all funds are expended.
- HR 4785 specified that loans should be "at least commensurate with the expected energy savings the qualified consumer shall expect to receive from the activities funded by the loan."
- S. 2216 allows loan advances to utilities and co-ops for up to 50 percent of the total loan; HR 4785 allowed up to a 30 percent advance.
- HR 4785 specified that homeowners can combine loans provided through this program with other home efficiency incentives such as rebates and grants.
- HR 4785 required USDA to enter into agreements with eligible entities to establish fast-start demonstration projects; S. 2216 only requires that USDA offer to enter into such agreements.

CURRENT ON-BILL FINANCING PROGRAMS

Public and cooperative electric utilities across the country are increasingly turning to on-bill financing programs to encourage home efficiency improvements. Increased federal support would allow existing programs to expand and be duplicated elsewhere. Current programs include:

- Midwest Energy, a Kansas gas and electric cooperative, has lent over $4 million since 2007 through its How$mart program to complete over 700 projects.
- The Electric Cooperatives of South Carolina and eight of its member cooperatives partnered to conduct a 2011 pilot program that retrofitted 125 homes. Several of the co-ops are now moving forward with on-bill financing programs based on the pilot model.
- The New York On-Bill Recovery Loan Program, signed into law in 2011, is the nation's first statewide program. Still in its roll-out phase, the program is currently available to a limited number of customers in seven utilities.

CONGRESSIONAL STATEMENTS OF SUPPORT FOR RESP

Rep. James Clyburn (D-SC): "This bill provides for energy conservation, job creation and cost-effective upgrades that will improve consumers' quality of life. There is such broad support for this initiative because it is a win-win-win proposition."

Rep. Ed Whitfield (R-KY): "Currently our electricity grid is operating at maximum capacity. Increasing our energy efficiency is one of the best proven ways to free up energy on our electricity grid. This bill is a win for American consumers and a win for improving energy efficiency across the country."

Senator Jeff Merkley (D-OR): "For our rural communities to recover and thrive in the wake of the economic crisis, we need to put people back to work and lower energy costs for families and RESP does both. This program will help the families and businesses in rural areas who can't afford the cost of a home or building renovation by offering them low-cost loans that they can repay out of the money they will save on their energy bills."