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## MEMORANDUM

**TO:** U.S. Department of Agriculture  
Rural Business Cooperative Service

**FROM:** Alecia Ward, Executive Director  
Midwest Energy Efficiency Alliance (MEEA)

**RE:** Comments on 2002 Farm Bill, Energy Title  
Section 9006 Implementation Recommendations

**DATE:** December 13, 2002

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The Midwest Energy Efficiency Alliance (MEEA) submits these comments to USDA in response to the December 3, 2002 “Expanding Rural Renewable Fuels Systems” stakeholder meeting to discuss Section 9006 (Renewable Energy and Energy Efficiency Improvements) implementation of the 2002 Energy Title of the Farm Bill.

Although we were unable to attend the meeting in person, we appreciate the invitation to comment. MEEA believes that the comments of our colleagues in the industry – the Environmental Law and Policy Center (ELPC), the American Council for an Energy Efficient Economy (ACEEE) and others – do an excellent job of detailing the legislative intent of section 9006, identifying the program objectives and priorities, and recommending program guidelines/criteria for participant eligibility.

We encourage the USDA to move forward with a rulemaking or NOFA immediately to expedite the distribution of FY03 funds made available in Section 9006 and to use established distribution mechanisms for delivery of those funds to eligible applicants. While USDA has little experience with energy efficiency and renewable energy programs, your colleagues in other federal agencies, including DOE and EPA have extensive experience and the infrastructure already in place to deliver these funds. We would like to see USDA distribute FY03 funds through existing infrastructures, which maintain well-established guidelines, criteria, and case studies for successful energy efficiency and renewable energy project funding as well as operate the very successful *ENERGY STAR*<sup>®</sup> program.

## ENERGY EFFICIENCY - A PRIORITY:

Our primary purpose in submitting comments is to encourage the USDA to fund energy efficiency programs as aggressively as renewable energy programs from the 9006 funds. Energy efficient technologies, products, and best practices are the first, best, and most cost effective strategy to: 1) avoid building more generating power plants, 2) reduce the potential for transmission gridlock, and 3) deliver energy savings and environmental benefits as well as process improvements to farmers, ranchers and rural small businesses.

Furthermore, energy efficiency and renewable energy go hand-in-hand. Energy efficiency should be considered a prerequisite to and foundation of renewable energy projects because it extends the supply of energy needed to make a small-scale renewable energy project feasible. Energy efficiency makes renewable energy projects viable. Energy efficiency and renewable energy are not in competition with each other but embrace the same principles and, as such, our programs are not only compatible but complementary.

Rural communities have struggled with this issue of energy for many years – how to generate it in rural areas, how to transmit it to and from those areas, and how to make both of those endeavors more cost effective for the rate payers in those areas. Rural Electric Cooperatives provide services and power to rural residents, farms, ranches and small businesses, but have until very recently failed to embrace energy efficiency and renewable energy programs. Investor Owned Utilities have had extensive experience with demand side management (DSM) programs, but have had limited funding for rural DSM projects except on a large industrial farm scale or in California, the Northwest and New York. At long last, the Energy Title of the 2002 Farm Bill makes dollars available to that previously neglected community of farmers, ranchers and rural small businesses to engage in basic conservation techniques.

## ENERGY EFFICIENCY - Rural Residential Applications:

While USDA will be funding wind energy, biomass, photovoltaics and other renewable energy projects through 9006 funds – and while MEEA fully supports its doing so – it is clear that energy efficient products and the availability of funding for those products is needed in rural retrofit of farm homes and ranch homes has the potential to be overlooked. Energy efficient window and lighting retrofits, HVAC systems replacements and improvements, furnaces, chillers, and refrigeration systems as well as building envelope improvements for rural residences should be eligible for funding through the application process.

MEEA recommends that a small percentage of funding (perhaps 2%) be dedicated to basic improvements in these rural farm homes and ranch homes. Whereas energy efficiency and DSM programs have been in the marketplace in urban areas for many years, the Energy Title of the 2002 Farm Bill makes available for the first time significant funding for similar programs for rural customers. Of course USDA will not want to administer applications for 1 refrigerator or a 6-pack of compact fluorescent light bulbs

(CFLs), so a minimum retrofit budget for rural residences should be set. MEEA recommends applications for a minimum of \$10,000 project total of which 25% would be eligible for 9006 grants, or up to 50% would be eligible for grants, loans, and loan guarantees combined.

#### ENERGY EFFICIENCY – Agricultural Applications:

Farmers, ranchers and rural small businesses have varied products and services that provide opportunities for energy efficient upgrades. For crop farmers there are a variety of system improvements that can be made in the drying & refrigeration process. For the animal agriculture segment, technologies like improved lighting systems (including natural day lighting) can have dramatic impacts on energy bills as well as improvements in the output of production by the animals. In both agricultural industries (crop production and animal production) more efficient refrigeration is a huge opportunity for energy savings.

#### PRIORITY FUNDING RECOMMENDATIONS:

Eligible projects (for both residential farm/ranch applications and agricultural businesses) for energy efficiency funding from 9006 would include, but not be limited to:

- Refrigeration equipment
- Dairy machinery
- Lighting retrofits and day lighting
- Motor and pump systems
- Envelope improvements including: windows and insulation
- System improvements including: HVAC systems, furnaces, and chillers

Given the diversity of needs of the rural farmer, rancher and small business, MEEA recommends USDA focus, but not limit, FY03 funding to these proven technologies with documented energy savings potential. These technologies are readily available in the marketplace. MEEA also recommends that where an **ENERGY STAR** standard exists, USDA use that specification as a minimum criterion for eligible efficiency improvements. Where there is not an **ENERGY STAR** specification, MEEA recommends that USDA work closely with the American Council for an Energy Efficient Economy (ACEEE) and the Consortium for Energy Efficiency (CEE) as well as DOE and EPA to establish criteria.

Any grant, loan or loan guarantee provided for installation of an energy-efficiency improvement should include energy-efficiency audits as a permissible expenditure of those funds.

## PROVEN vs. NEW TECHNOLOGIES:

MEEA is interested in market transformation. When there is an energy efficient product available, we want consumers to choose the energy efficient product over its less efficient counterpart for their application. Much of transforming markets rests on continuity. Manufacturers of energy efficient products need to be sure that a market for their product will not just exist for one year, but rather will continue for several years. This is, of course, how they recover the cost of investing in the research essential to bring newer and more energy efficient products to market and make them cost effective for consumers to choose. MEEA strongly encourages USDA to begin using 9006 funds for well established and proven technologies like the ones listed above for at least the first 3 years of the program, then expanding into newer technologies that have less experience in the marketplace.

There is low-hanging fruit that USDA should take the opportunity to capture the energy savings from before moving on to more costly and less well established technologies. With that said, in the later years of the program – after USDA has had a chance to smooth out the application process, deal with the issues of distributing funds, and begin to collect measurement and verification data from the projects funded to date – new technologies should be eligible for consideration.

## GEOGRAPHY:

The Midwest has more farmers and ranchers than any other region of the country. There are also a significant number of manufacturers of energy efficient products located in the Midwest, including Whirlpool, Maytag, Pella, Andersen, Carrier, and Trane. The Midwest is where the greatest potential for renewable energy (in the form of wind and biomass) resides. As such, USDA should expect a large portion of applications for 9006 funding to come from the Midwest and should not set an arbitrary restriction for percentages of applications from a certain region of the country.

## MATCHING FUNDS:

Farmers, ranchers and rural small business that have been approved to receive or that have received funds from state programs for energy efficiency should be encouraged to apply for grants, loans and loan guarantees that will match, up to the statutory limit, that state funding in order to further finance energy-efficiency improvements through such state programs.

The Midwest has excellent potential for matching funds for rural projects via three public benefit funds in: Wisconsin, Illinois, and Ohio; as well as aggressive efficiency program funding through regulated conservation programs in Minnesota and Iowa. MEEA recommends that USDA accept applications with matching funds from:

- State Energy Offices or other 3<sup>rd</sup> party entities that operate “Public Benefit Funds” or “Systems Benefit Charges”

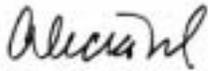
- Investor Owned and Municipal Utilities as well as Rural Electric Cooperatives
- Private Entities like manufacturers, wholesalers and retailers of products
- Private Foundations
- Individuals

In the first few years, USDA should be prepared to receive more applications seeking grants and loans than loan guarantees in the initial years of the program.

CONCLUSION:

Thank you for the opportunity to comment on Section 9006 of the Energy Title of the Farm Bill. MEEA is very interested in the process that USDA will establish in the NOFA guidelines and is fully prepared to provide additional information if USDA should need it. We would like to reiterate how important coordination and cooperation with your federal colleagues and state and local interests is to the success of this program. We look forward to seeing the results of this hard work early next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Alecia Ward". The signature is written in a cursive, flowing style.

Alecia Ward