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Pandor Hadjy
Assistant Deputy Administrator, Business Programs, RBS
Room 5050 South Agriculture Building, Stop 3220
1400 Independence Avenue, SW.
Washington, D.C. 20250-3220

December 6, 2002

RE: Comments on Section 9006 (Renewable Energy System and Energy Efficiency Improvement Grant and Loan Program) of the Farm Security and Rural Investment Act of 2002

Dear Mr. Pandor:

The Minnesota Project is pleased to present our recommendations for guidelines governing the new grant and loan program in renewable energy systems and energy efficiency improvements. The Minnesota Project is a non-profit organization dedicated to sustainable development and environmental protection in rural communities. For over two decades we have brought farmers and environmentalists together to find common ground on national and state policy. We have focused on efforts, such as the new Conservation Security Program, that help farmers find the solutions to environmental problems that work for their farming system, and make sense economically. We are enthusiastic about the new energy title and its possibility to more fully engage farmers in producing renewable energy as well as using their energy more efficiently. We have four main comments concerning the implementation of Section 9006:

- 1. In order to effectively reach out to the broadest audience who would most benefit from the program, farmer and rancher participation should be limited to moderate to small farmers and ranchers.** The largest farmers and ranchers already have easier access to capital for renewable energy programs; this program should focus limited funds on the smaller farmers and ranchers that don't have as easy access to capital.
- 2. We would recommend in the first year of funding that funding be evenly split between energy efficiency projects and renewable energy projects.** Both energy efficiency improvements and renewable energy systems are included in the purpose of the program, but they are very different kinds of projects, with different standards of comparison. We strongly support both types of projects. In numerous studies of energy efficiency, it has been clearly demonstrated that it is much cheaper to reduce a kilowatt of electricity usage than it is to generate a kilowatt of electricity, renewable or otherwise. Thus, if all the projects that applied for funds from Section 9006 were to be judged by their cost-effectiveness, it's likely that the

entire amount would go to energy efficiency projects (assuming enough energy efficiency projects applied). However, there is value in farmers actually producing their own energy, even if energy efficiency projects are more cost effective, and thus these funds should be separated from the energy efficiency projects and judged by separate criteria.

- 3. The energy efficiency grant and loan program should be flexible enough to be leveraged with existing energy audit programs, and program funds should be available as painlessly as possible for energy efficiency projects.** Energy efficiency opportunities are like hidden treasures, that once uncovered and nurtured are relatively low risk investments with short payback periods. This is unlike renewable energy projects, which are often highly visible, but may have long payback times and large risk. The trick, then, for implementing the energy efficiency part of Section 9006 is to utilize existing programs that will uncover the hidden opportunities of energy efficiency, and then partner with these programs so that participants can take advantage of those opportunities. Since energy efficiency projects are typically using demonstrated technology with relatively low risk and high cost-effectiveness, there ought not be as high a burden on the applicant to prove the project.

Many utilities offer energy audit programs at subsidized rates for their customers. For example, in Minnesota all electric utilities, including the rural electric cooperatives, are required to offer energy audit programs. Partnerships should be made with these energy audit programs to facilitate the funding of efficiency opportunities identified in the audits. From the customer's perspective, the process should be as seamless as possible, so they have to deal with as little administration as possible.

Because energy audits are so crucial to implementing energy efficiency programs, we would urge the Department to push for full appropriation of Section 9006's sister program, Section 9005 (energy audit program). The sooner Section 9005 is off the ground, the better it will be for the success of Section 9006. We would be willing to do everything we can to assist in this effort.

Since many of the energy efficiency technologies that farmers will be installing will be similar across the country, there may be opportunities to take advantage of mass purchasing for Section 9006 applicants. For example, some existing energy audit programs offer their customers the opportunity to purchase compact florescent light bulbs from a central website. It may be worth exploring partnerships with providers of energy efficiency equipment.

We would also encourage the Department to look for ways to link to conservation planning. For example, the Conservation Security Program has provisions to provide incentives for energy conservation on farms.

- 4. Anaerobic digester projects that receive EQIP grants should not be eligible to receive Section 9006 money.** This essentially amounts to “double-dipping” for the applicant, and would also hurt the chances of other projects, which may be more cost-effective than a digester. The EQIP program is well suited to handle evaluating anaerobic digesters, which although they can produce energy, are primarily a waste treatment technology. At the very least, projects should be required to include EQIP dollars when comparing cost effectiveness of renewable energy delivered per dollar of public money spent. But we strongly urge you to not use Section 9006 where there already is EQIP support.

Thank you for providing us the opportunity to present our comments.