**How will the Rural Energy Savings Program work?**

Individual co-ops or state-based groups of co-ops will apply to the Rural Utilities Service (RUS) of the US Department of Agriculture to borrow money to fund local energy efficiency programs. The applicant must specify the measures that it intends to implement, from a list approved by DOE in consultation with USDA, and the expected savings for consideration by RUS. When the loan is approved, the co-ops, in turn, provide the money in low-interest micro-loans to consumer residences or farms. Consumers will benefit from the energy savings that have a 10-year or less payback period and their savings will be used to repay the loans.

Trained auditors and contractors will conduct an energy audit to determine what sorts of energy efficiency improvements are warranted. Typical consumer loans will be $1,500 to $7,000, and will cover sealing, insulation, HVAC systems, boilers, roofs and other improvements that the utility has demonstrated to RUS will produce sufficient savings. Participating consumers repay the co-ops 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. Consumers will save more on their energy bills after the loan is repaid, saving most families hundreds of dollars annually. Each advance loaned by RUS to the co-ops is repaid within ten years.

A “start-up” advance loan (to be repaid when the program ends) of no more than 4% of the underlying loan amount is provided to the RUS borrower so that there are funds to begin the process, i.e. to provide service to the first consumers. From there, the RUS will use its existing procedures to approve loans and to advance funds. In accordance with current practice in RUS Electric programs, no loan funds will be advanced on approved loans until the utility borrower submits documentation of work completed for the approved purposes of this program.

RUS loans to the co-op will bear an interest rate of zero percent and every advance must be repaid within 10 years. The co-op can charge an interest rate no higher than 3% to consumers with the difference used to establish a loan loss reserve and to partially defray administrative costs. The cooperative will absorb all risks for consumer repayment of their efficiency investments. There is zero risk to the federal government.

USDA is authorized to enter into agreements to establish a training program 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 in whose homes and farms upgrades are being made.

USDA will establish an implementation and measurement and verification advisory committee comprised of coops and qualified entities to assist USDA and DOE in establishing control systems and track quality control and savings for the 10-year loan period.

This program is not a grant program. This is a loan program for cooperatives to provide consumer loans. The cooperative is required to repay the loan to the government.