

§ 1710.401

Efficiency and Conservation programs (EE Programs) undertaken by an eligible utility system to finance Demand side management, energy efficiency and conservation, or on-grid and off-grid renewable energy system programs that will result in the better management of their system load growth, a more beneficial load profile, or greater optimization of the use of alternative energy resources in their service territory. These programs may be considered an essential utility service.

(b)(1) The goals of an eligible Energy Efficiency project eligible for funding under this program and Subpart H include:

(i) Increasing energy efficiency at the end user level;

(ii) Modifying electric load such that there is a reduction in overall system demand;

(iii) Effecting a more efficient use of existing electric distribution, transmission and generation facilities;

(iv) Attracting new businesses and creating jobs in rural communities by investing in energy efficiency; and

(v) Encouraging the use of renewable energy fuels for either Demand side management or the reduction of conventional fossil fuel use within the service territory.

(2) Although not a goal, RUS recognizes that there will be a reduction of green house gases with energy efficiency improvements.

§ 1710.401 RUS policy.

EE Programs under this subpart may be financed at the distribution level or by an electric generation and transmission provider. RUS encourages borrowers to coordinate with the relevant member systems regarding their intention to implement a program financed under this subpart. RUS also encourages borrowers to leverage funds available under this subpart with State, local, or other funding sources that may be available to implement such programs.

§ 1710.402 Scope.

This subpart adapts and modifies, but does not supplant, the requirements for all borrowers set forth elsewhere where the purpose of the loan is to finance an

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approved EE program. In the event there is overlap or conflict between this subpart and the provisions of this part 1710 or other parts of the Code of Federal Regulations, the provisions of this subpart will apply for loans made or guaranteed pursuant to this subpart.

§ 1710.403 General.

EE Programs financed under this subpart may be directed at all forms of energy consumed within a utility's service territory, not just electricity, where the electric utility is in a position to facilitate the optimization of the energy consumption profile within its service territory and do so in a way that enhances the financial or physical performance of the rural electric system and enables the repayment of the energy efficiency loan.

§ 1710.404 Definitions.

For the purpose of this subpart, the following terms shall have the following meanings. In the event there is overlap or conflict between the definitions contained in §1710.2, the definitions set forth below will apply for loans made or guaranteed pursuant to this subpart.

British thermal unit (Btu) means the quantity of heat required to raise one pound of water one degree Fahrenheit.

Certified energy auditor for commercial and industrial energy efficiency improvements. (1) An energy auditor shall meet one of the following criteria:

(i) An individual possessing a current commercial or industrial energy auditor certification from a national, industry-recognized organization;

(ii) A Licensed Professional Engineer in the State in which the audit is conducted with at least 1 year experience and who has completed at least two similar type Energy Audits;

(iii) An individual with a four-year engineering or architectural degree with at least 3 years experience and who has completed at least five similar type Energy Audits; or

(iv) Beginning in calendar year 2015, an energy auditor certification recognized by the Department of Energy through its Better Buildings Workforce Guidelines project.

(2) For residential energy efficiency improvements, an energy auditor shall meet one of the following criteria: The workforce qualification requirements of the Home Performance with Energy Star Program, as outlined in Section 3 of the Home Performance with Energy Star Sponsor Guide; or an individual possessing a current residential energy auditor or building analyst certification from a national, industry-recognized organization.

Cost effective means the aggregate cost of an EE Program is less than the financial benefit of the program over time. The cost of a program for this purpose shall include the costs of incentives, measurement and verification activity and administrative costs, and the benefits shall include, without limitation, the value of energy saved, the value of corresponding avoided generation, transmission or distribution and reserve investments as may be displaced or deferred by program activities, and the value of corresponding avoided greenhouse gas emissions and other pollutants.

Demand means the electrical load averaged over a specified interval of time. Demand is expressed in kilowatts, kilovolt amperes, kilovars, amperes, or other suitable units. The interval of time is generally 15 minutes, 30 minutes, or 60 minutes.

Demand savings means the quantifiable reduction in the load requirement for electric power, usually expressed in kilowatts (kW) or megawatts (MW) such that it reduces the cost to serve the load.

Eligible borrower means a utility system that has direct or indirect responsibility for providing retail electric service to persons in a rural area. This definition includes existing borrowers and utilities who meet current RUS borrower requirements.

Energy audit means an inspection and analysis of energy flows in a building, process, or system with the goal of identifying opportunities to enhance energy efficiency. The activity should result in an objective standard-based technical report containing recommendations for improving the energy efficiency. The report should also include an analysis of the estimated benefits and costs of pursuing each rec-

ommendation and the simple payback period.

Energy efficiency and conservation measures means equipment, materials and practices that when installed and used at a Consumer's premises result in a verifiable reduction in energy consumption, measured in Btus, or demand as measured in Btu-hours, or both, at the point of purchase relative to a base level of output. The ultimate goal is the reduction of utility or consumer energy needs.

Energy efficiency and conservation program (EE Program) means a program of activities undertaken or financed by a utility within its service territory to reduce the amount or rate of energy used by Consumers relative to a base level of output.

HVAC means heating, ventilation, and air conditioning.

Load means the Power delivered to power utilization equipment performing its normal function.

Load factor means the ratio of the average load over a designated period of time to the peak load occurring in the same period.

Peak demand (or maximum demand) means the highest demand measured over a selected period of time, e.g., one month.

Peak demand reduction means a decrease in electrical demand on an electric utility system during the system's peak period, calculated as the reduction in maximum average demand achieved over a specified interval of time.

Power means the rate of generating, transferring, or using energy. The basic unit is the watt, where one Watt is approximately 3.41213 Btu/hr.

Re-lamping means the initial conversion of bulbs or light fixtures to more efficient lighting technology but not the replacement of like kind bulbs or fixtures after the initial conversion.

SI means the International System of Units: the modern metric system.

Smart Grid Investments means capital expenditures for devices or systems that are capable of providing real time, two way (utility and Consumer) information and control protocols for individual Consumer owned or operated appliances and equipment, usually

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through a Consumer interface or smart meter.

Ultimate recipient means a Consumer that receives a loan from a borrower under this subpart.

Utility Energy Services Contract (UESC) means a contract whereby a utility provides a Consumer with comprehensive energy efficiency improvement services or demand reduction services.

Utility system means an entity in the business of providing retail electric service to Consumers (distribution entity) or an entity in the business of providing wholesale electric supply to distribution entities (generation entity) or an entity in the business of providing transmission service to distribution or generation entities (transmission entity), where, in each case, the entities provide the applicable service using self-owned or controlled assets under a published tariff that the entity and any associated regulatory agency may adjust.

Watt means the SI unit of power equal to a rate of energy transfer (or the rate at which work is done), of one joule per second.

§ 1710.405 Eligible energy efficiency and conservation programs.

(a) *General.* Eligible EE Programs shall:

- (1) Be developed and implemented by an Eligible borrower and applied within its service territory;
- (2) Consist of eligible activities and investments as provided in §1710.406
- (3) Provide for the use of State and local funds where available to supplement RUS loan funds;
- (4) Incorporate the applicant's policy applicable to the interconnection of distributed resources;
- (5) Incorporate a business plan that meets the requirements of §1710.407;
- (6) Incorporate a quality assurance plan that meets the requirements of §1710.408;
- (7) Demonstrate that the program can be expected to be Cost effective;
- (8) Demonstrate that the program will have a net positive or neutral cumulative impact on the borrower's financial condition over the time period contemplated in the analytical support documents demonstrating that the net present value of program costs in-

curring by the borrower are positive, pursuant to §1710.411;

(9) Demonstrate energy savings or peak demand reduction for the service territory overall; and

(10) Be approved in writing by RUS prior to the investment of funds for which reimbursement will be requested.

(b) *Financial Structures.* Eligible EE Programs may provide for direct recoupment of expenditures for eligible activities and investment from Ultimate Recipients as follows:

(1) Loans made to Ultimate Recipients located in a rural area where —

(i) The Ultimate Recipients may be wholesale or retail;

(ii) The loans may be secured or unsecured;

(iii) The loan receivables are owned by the Eligible Borrower;

(iv) The loans are made or serviced directly by the Eligible Borrower or by a financial institution pursuant to a contractual relationship between the Eligible Borrower and the financial institution;

(v) Due diligence is performed to confirm the repayment ability of the Ultimate Recipient;

(vi) Loans are funded only upon completion of the project financed or to reimburse startup costs that have been incurred;

(vii) The rate charged the Ultimate Recipient is less than or equal to the direct Treasury rate established daily by the United States Treasury pursuant to §1710.51(a)(1) or §1710.52, as applicable, plus the borrower's interest rate from RUS and 1.5 percent . Exceptions will be made on a case-by-case basis to ensure repayment of the government's loan and must be clearly articulated in the business plan RUS will not accept an exception request if the loan is feasible at 1.5 percent; and

(viii) Loans are not used to refinance a preexisting loan.

(2) A tariff that is specific to an identified rural Consumer, premise or class of ratepayer; or

(3) On bill repayment and other financial recoupment mechanisms as may be approved by RUS.

(c) *Period of performance—(1) Performance standards.* (i) Eligible EE Programs activities that are listed under