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To enhance and improve the energy security of the United States, expand economic development, increase agricultural income, and improve environmental quality by reauthorizing and improving the renewable energy systems and energy efficiency improvements program of the Department of Agriculture through fiscal year 2012, and for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 12, 2006

Mr. HARKIN (for himself, Mr. LUGAR, Mr. DURBIN, Mr. HAGEL, and Mr. NELSON of Nebraska) introduced the following bill; which was read twice and referred to the Committee on Agriculture, Nutrition, and Forestry

A BILL

To enhance and improve the energy security of the United States, expand economic development, increase agricultural income, and improve environmental quality by reauthorizing and improving the renewable energy systems and energy efficiency improvements program of the Department of Agriculture through fiscal year 2012, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Rural Energy for
3 America Act of 2006”.

4 **SEC. 2. FINDINGS.**

5 Congress finds that—

6 (1) rising energy costs and uncertain long term
7 energy supplies threaten to undermine the growth of
8 the United States economy;

9 (2) since 2003, fuel and fertilizer costs have
10 nearly doubled for agricultural producers;

11 (3) there are continuing and increasing risks to
12 the energy security of the United States;

13 (4) having an affordable, reliable, and plentiful
14 energy supply will strengthen the United States
15 economy and improve domestic energy security;

16 (5) the agricultural sector can provide a signifi-
17 cant source of clean, sustainable energy for the
18 United States that can reduce the dependence of the
19 United States on imported energy and lower energy
20 costs for all people of the United States;

21 (6) agriculture-based energy—

22 (A) boosts rural economic development;

23 (B) increases farm-based income;

24 (C) creates manufacturing, construction,
25 and service jobs;

1 (D) expands economic opportunity for all
2 people; and

3 (E) improves environmental quality;

4 (7) it is a goal of this Act to help the agricul-
5 tural sector to provide at least 25 percent of the en-
6 ergy consumed in the United States by calendar
7 year 2025;

8 (8) expanding agriculture-based renewable en-
9 ergy resources (including wind, solar, and geo-
10 thermal energy, ethanol, and biodiesel) and improv-
11 ing energy efficiency will help to achieve that goal;

12 (9) section 9006 of the Farm Security and
13 Rural Investment Act of 2002 (7 U.S.C. 8106) es-
14 tablished the renewable energy systems and energy
15 efficiency improvements program, which is the first
16 agricultural program to catalyze broad renewable en-
17 ergy and energy efficiency measures for the agricul-
18 tural and rural business sectors;

19 (10) since establishment, the program has been
20 a strong success, providing during the first 3 years
21 of the program nearly \$64,000,000 in grants and
22 loan guarantees for 412 renewable energy and en-
23 ergy efficiency projects in 37 States, which leveraged
24 approximately \$699,000,000 in additional invest-
25 ments in farms and rural communities;

1 (11) projects assisted by the grants and loan
2 guarantees will—

3 (A) produce or save more than
4 17,000,000,000,000 British thermal units of
5 energy each year in the form of fuel, electricity,
6 thermal energy, and energy efficiency;

7 (B) produce 124,000,000 gallons of eth-
8 anol and biodiesel fuel annually; and

9 (C) reduce carbon dioxide emissions by
10 more than 4,000,000 tons annually; and

11 (12) applications for assistance under the pro-
12 gram—

13 (A) in 2003, nearly matched the available
14 funding for the program;

15 (B) in 2004, were nearly twice the avail-
16 able funding for the program; and

17 (C) in 2005 and 2006, were nearly triple
18 the available funding for the program.

19 **SEC. 3. RURAL ENERGY FOR AMERICA PROGRAM.**

20 Section 9006 of the Farm Security and Rural Invest-
21 ment Act of 2002 (7 U.S.C. 8106) is amended—

22 (1) by striking the section designation and
23 heading and inserting the following:

24 **“SEC. 9006. RURAL ENERGY FOR AMERICA PROGRAM.”;**

25 (2) in subsection (a)—

1 (A) by inserting “, and issue rebates,”
 2 after “grants”; and

3 (B) by inserting “rural school districts,”
 4 after “ranchers,”.

5 (3) by striking subsection (f);

6 (4) by redesignating subsection (e) as sub-
 7 section (h);

8 (5) by inserting after subsection (d) the fol-
 9 lowing:

10 “(e) PRODUCTION-BASED INCENTIVE IN LIEU OF
 11 GRANT.—

12 “(1) IN GENERAL.—In addition to the authority
 13 under subsection (a), to encourage the production of
 14 electricity from renewable energy systems, the Sec-
 15 retary shall, on the request of an eligible applicant
 16 under this section, make production-based payments
 17 to the applicant in lieu of a grant.

18 “(2) CONTINGENCY.—Payments under para-
 19 graph (1) shall be contingent on documented energy
 20 production and sales from the renewable energy sys-
 21 tem to a third party.

22 “(3) LIMITATION.—The total net present value
 23 of a production-based incentive may not exceed the
 24 lower of—

1 “(A) 25 percent of the eligible project
2 costs; and

3 “(B) any other limits that the Secretary
4 establishes by rule or guidance.

5 “(f) FEASIBILITY STUDIES.—

6 “(1) IN GENERAL.—The Secretary may provide
7 assistance to eligible applicants to conduct feasibility
8 studies of projects for which assistance may be pro-
9 vided under this section.

10 “(2) LIMITATION.—The Secretary shall use not
11 more than 10 percent of funds made available to
12 carry out this section to provide assistance described
13 in paragraph (1).

14 “(3) CRITERIA.—The Secretary shall, by regu-
15 lation, establish criteria for the receipt of assistance
16 under this subsection.

17 “(4) AVOIDANCE OF DUPLICATIVE ASSIST-
18 ANCE.—An applicant that receives assistance to
19 carry out a feasibility study for a project under this
20 subsection shall not be eligible for assistance to
21 carry out a feasibility study for the project under
22 any other provision of Federal law.

23 “(5) MATCHING FUNDS.—A recipient of funds
24 under this subsection shall contribute an amount of

1 non-Federal funds that is at least equal to 75 per-
 2 cent of the amount of Federal funds received.

3 “(g) REBATE PROGRAM.—

4 “(1) IN GENERAL.—The Secretary shall make
 5 competitive grants to eligible entities to provide re-
 6 bates for farmers, ranchers, rural school districts,
 7 and rural small businesses to purchase renewable en-
 8 ergy systems and make energy efficiency improve-
 9 ments.

10 “(2) ELIGIBLE ENTITIES.—To be eligible to re-
 11 ceive a grant under paragraph (1), an entity shall
 12 be—

13 “(A) a State energy or agriculture office;

14 “(B) a nonprofit State-based energy effi-
 15 ciency or renewable energy organization that
 16 uses public funds provided directly or under
 17 contract with a State agency;

18 “(C) any other nonprofit organization with
 19 a demonstrated ability to administer a State-
 20 wide energy efficiency or renewable energy re-
 21 bate program; or

22 “(D) a consortium of entities described in
 23 subparagraphs (A) through (C).

24 “(3) MERIT REVIEW.—

“(A) IN GENERAL.—The Secretary shall establish a merit review process to review applications for grants under paragraph (1) that uses the expertise of the Department of Agriculture, other Federal and State agencies, and non-governmental organizations.

“(B) REQUIREMENTS.—In reviewing the application of an eligible entity to receive a grant under paragraph (1), the Secretary shall consider—

“(i) the experience and expertise of the entity in establishing and administering a State-wide clean energy rebate program;

“(ii) the annual projected energy savings or production increases resulting from the proposed program;

“(iii) the environmental benefits resulting from the proposed program; and

“(iv) other appropriate factors, as determined by the Secretary.

“(4) MAINTENANCE OF EFFORT.—An entity that receives a grant under paragraph (1) shall provide assurances to the Secretary that funds provided to the entity under this subsection will be used to

1 supplement, not to supplant, the amount of Federal,
 2 State, and local funds otherwise expended for rebate
 3 programs.

4 “(5) REBATE AMOUNT.—The amount of a re-
 5 bate provided from a grant under this subsection
 6 shall not exceed the lower of—

7 “(A) \$10,000; or

8 “(B) 50 percent of the cost incurred to
 9 purchase a renewable energy system or an en-
 10 ergy efficiency improvement.”; and

11 (6) by adding at the end the following:

12 “(i) FUNDING.—Of the funds of the Commodity
 13 Credit Corporation, the Secretary shall make available to
 14 carry out this section—

15 “(1) \$60,000,000 for fiscal year 2008, to re-
 16 main available until expended, of which not more
 17 than \$12,000,000 shall be used to carry out sub-
 18 section (g);

19 “(2) \$90,000,000 for fiscal year 2009, to re-
 20 main available until expended, of which not more
 21 than \$18,000,000 shall be used to carry out sub-
 22 section (g);

23 “(3) \$130,000,000 for fiscal year 2010, to re-
 24 main available until expended, of which not more

1 than \$26,000,000 shall be used to carry out sub-
2 section (g);

3 “(4) \$180,000,000 for fiscal year 2011, to re-
4 main available until expended, of which not more
5 than \$36,000,000 shall be used to carry out sub-
6 section (g); and

7 “(5) \$250,000,000 for fiscal year 2012, to re-
8 main available until expended, of which not more
9 than \$50,000,000 shall be used to carry out sub-
10 section (g).”.

11 **SEC. 4. SENSE OF THE SENATE ON A DIRECT LOAN PRO-**
12 **GRAM IN SECTION 9006.**

13 It is the sense of the Senate that—

14 (1) as authorized by section 9006 of the Farm
15 Security and Rural Investment Act of 2002 (7
16 U.S.C. 8106), the Secretary of Agriculture should
17 implement a direct loan program to complement the
18 grants provided under that section; and

19 (2) as appropriate, the Secretary should model
20 the direct loan program on the loan program estab-
21 lished under section 503 of the Small Business In-
22 vestment Act of 1958 (15 U.S.C. 697).

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