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U.S. Senate

Senate Committee on Agriculture, Nutrition and Forestry - *Public Hearing*

Testimony of Mr. Paul Bony

Review of the Rural Energy Savings Program Act

Good morning Chairman Stabenow, Senator Roberts and distinguished members of the Senate. It is truly an honor and pleasure to be here this morning to offer support for the Rural Energy Savings Program Act on behalf of my employer ClimateMaster, an Oklahoma based manufacturer of geothermal heat pumps with over 1,000 dealers and distributors across the U.S.

I am Paul Bony, and I have 25 years of electric utility experience focused on energy efficiency, renewable energy and demand management. I have worked for 2 electric cooperatives, including one where my Great Uncle was the first elected Board president, and I am a member of an electric co-op.

Based on my experience, this legislation will provide many benefits to electric cooperatives and the members they serve.

This legislation will save energy. Buildings use nearly 40% of all US primary energy with heating, cooling, and water heating accounting for nearly one half of this use and as much as 70% of the total energy use of rural homes. Geothermal heat pumps can reduce this energy consumption by up to 50%.

This legislation will also **save rural consumers money.** Most rural areas do not have access to well capitalized and organized energy retrofit companies. Rural areas also rely on a high proportion of expensive fossil fuels for heating. Customers can benefit greatly from energy efficiency upgrades including geothermal heat pumps that provide energy bill reductions that exceed the loan payments made under the proposed RES program.

I conducted an extensive home energy retrofit project that confirmed home owners can easily reduce their annual energy use by 50% or more from efficiency measures that provided a positive cash flow after debt service. In a survey we recently completed 53% of our potential customers would have purchase our system if they could have obtained financing that would provided a payment lower than their energy savings, giving them a positive cash flow.

Unfortunately, in today's tough economy, customers do not have ready access to affordable loan funds to implement efficiency measures. This legislation will be invaluable in breaking this financial barrier.

This legislation will also create jobs. The Energy Efficiency upgrades financed by this legislation will generate employment for local labor. For geothermal heat pumps, the installation of the equipment and ground loop has to be done locally. We will never import ground loops from off shore.

I started a company that focused exclusively on the installation of 50 to 70 geothermal heat pump systems annually. This company employed 7 full time people in good paying jobs with full benefits. It also hired other contractors to provide services including energy audits, drilling ground loops, and weatherizing homes.

This legislation will improve the financial stability of participating co-ops. Geothermal heat pumps offer cooperatives an excellent tool to obtain significant peak load reduction and improved system load factor. This allows a co-op to provide energy efficiency to their members and reduce the need for expensive new generation, without putting pressure on electric rates. These energy savings also provide 4 to 10 metric tons of annual carbon savings.

Electric co-ops are a great vehicle to administer the RES program. They have a long track record of providing member focused services and paying back their federal loans. They are trusted by their members. They can collect payments on utility bills and in rural communities they are often the only organization with the resources and talent to administer this type of effort.

I recognized over 15 years ago that access to affordable financing was the key to customer participation in energy efficiency, when I started a successful utility geothermal loop lease program that is still working today.

In Colorado, I again proved that consumers will respond to co-op financing to make efficiency investments. While individual members in my loan portfolio experienced the misfortunes that can happen to any of us, it always generated a positive cash flow. I can also assure you that my General Manager and our board of directors paid close attention to my monthly reports on this loan portfolio.

However in both programs, our ability to fund member efficiency was limited to internally generated funds, as the RUS was not able to finance these efforts.

This legislation will close this large financing gap and in my humble opinion greatly accelerate the implementation of energy efficiency in co-op country.

In conclusion, ClimateMaster is very supportive of this legislation. I am convinced that it will provide great benefits to the millions of members of electric cooperatives. It closes the financing gap that has prevented the greater adoption of energy efficiency in rural America and it leverages the resources and talent embedded in America's electric cooperatives.

Thank you for giving me the opportunity to share my comments with you this morning.