

## 2020 National Governors Association (NGA) Rural Energy Affordability Experts Roundtable: Key Takeaways

### Key Highlights

- The NGA's Energy, Infrastructure & Environment Division wants input from industry experts on solutions and best practices to help governors improve energy policy and better serve rural communities.
- Rural cooperatives provide a direct and crucial link for states to reach rural communities.
- Our member cooperatives offer various programs to ensure energy affordability and access for their consumer-members, especially low- and moderate-income members.
- States can achieve more by continuing to engage with utilities and other industry partners who work with and collaborate with rural communities.

### What has changed?

On March 10, 2020, the National Governors Association (NGA) Energy, Infrastructure & Environment Division (EIE) convened rural energy experts and state policymakers from around the United States to identify policy and regulatory best practices to help inform solutions for governors seeking to improve rural energy affordability. The roundtable aimed to identify and explore the unique energy challenges that face national rural communities and understand how those challenges influence energy costs and reliability. The NGA represents the governors of the states, territories and commonwealth of the United States of America. Through the Association, governors target priority issues and work on matters of public policy and governance at the state, national and global levels.

### What is the impact on electric cooperatives?

Convenings such as this roundtable to discuss the rural energy affordability and solutions needed to improve communities can have an impact on our member co-ops and the communities they serve. They present opportunities for NRECA to share our work and who we are with the wider utility industry community, build networks and partnerships, and share insight on how states can work with co-ops to serve rural communities. Cooperatives play an important role in ensuring energy affordability and keeping costs low for their members. Consistent with the cooperative principle, Commitment to Community, many of NRECA's member cooperatives are engaged in various programs and services that support their local communities and consumer-members who struggle financially.<sup>1</sup>

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<sup>1</sup> For more information on how our co-ops are ensuring energy affordability and supporting their communities, visit NRECA's *Advancing Energy Access for All* website at: <https://www.cooperative.com/programs-services/bts/energy-access/Pages/default.aspx>

## How Cooperatives Serve Persistent Poverty Counties

Electric cooperatives serve an estimated 4.2 million people in 92 percent of the United States' Persistent Poverty Counties (PPCs) based on 2017 data. PPCs are counties identified by the U.S. Census Bureau as having a very high percentage of households with incomes below the poverty level over a period of many years. In these economically depressed counties, the share of households with incomes below the poverty threshold ranges from 20 to 60 percent.<sup>2</sup>

Research has shown that, in general, low-income households spend a disproportionately higher percentage of their income on energy bills, and that rural households throughout the U.S. spend a higher share of household income on energy bills than others in their region and urban/suburban households. Nationally, rural low-income households experience the highest median energy costs at 9 percent, almost three times greater than the non-low income rural median of 3.1 percent. Some low-income households are even worse off – in several regions, one-quarter of the low-income rural households have a median energy cost greater than 15 percent.<sup>3</sup> (See Figure 1 for more information on the national median rural energy burden.)

NATIONAL MEDIAN RURAL ENERGY BURDEN BY DEMOGRAPHIC		
	DEMOGRAPHIC	RURAL
<b>TOTAL</b>	Rural households	4.4%
	Metropolitan households	3.1%
<b>INCOME</b>	Low-income (<200% FPL)	9.0%
	Non-low-income	3.1%
<b>HOUSING TYPE</b>	Manufactured housing	5.8%
	Small multi-family (2-4 units)	4.9%
	Large multi-family (5+ units)	4.6%
	Single family	4.1%
<b>AGE</b>	Elderly	5.6%
	Non-elderly	3.9%
<b>HOUSING TENURE</b>	Renters	5.3%
	Owners	4.1%
<b>RACE</b>	Nonwhite	5.1%
	White non-Hispanic	4.3%

**Figure 1: National Median Rural Energy Burden by Demographic**

Source: ACEEE “The High Cost of Energy in Rural America, July 2018”

<sup>2</sup> A map showing areas of persistent poverty overlaid by electric cooperative service areas can be found at:

<https://www.cooperative.com/content/public/maps/persistent-poverty/index.html>

<sup>3</sup> <https://www.aceee.org/sites/default/files/publications/researchreports/u1806.pdf>

## What do cooperatives need to know or do about it?

### Overview of State Solutions Discussion Highlights

During the “**Overview of State Solutions**” discussion at the NGA Roundtable, attendees from Maryland, Colorado, and Missouri provided a summary of the various programs available in their states to support local governments, businesses, and residences with energy affordability, energy efficiency, and other clean energy solutions.

The Maryland Energy Administration makes available grants and loans “to encourage clean energy technologies in all sectors of Maryland's economy: Residential, Commercial, Agricultural, and Transportation.”<sup>4</sup> These programs include the Maryland Smart Energy Communities, which provide local governments with loans for energy projects in their communities. Additionally, their Resiliency Hubs serve low and moderate income (LMI) consumers with clean and reliable energy during power outages.<sup>5</sup>

In Missouri, partnerships with non-profits, such as Renew Missouri, led to the creation of the Missouri Saves website, an information sharing house for all utilities including municipally-owned (munis) and co-ops, where consumers can search for information on energy efficiency resources available in the state.<sup>6</sup> The state is currently working with utilities on an On-Bill Financing (OBF) pilot that will focus on the LMI consumers in the state. Vehicles such as the Missouri's Energy Efficiency Investment Act (MEEIA) allow qualifying utilities to earn a profit on the electricity saved because of energy efficiency programs and incentives they offer to their customers.<sup>7</sup>

Colorado highlighted their agricultural energy efficiency program, where they provide free energy audits and coaching to the agricultural community to improve economic and environmental sustainability. Approximately \$3 million was leveraged from various United States Department of Agriculture (USDA) programs to support this effort.<sup>8</sup> The state recently launched a Colorado Cultivators Energy Management (CCEM) pilot program (a partnership with the state's co-ops and munis), whose goal is to provide certain cannabis operations with no-cost technical assistance for energy use assessments and cost-effective energy management options.<sup>9</sup> Additionally, CCEM offers support to co-ops who are interested in developing longer term plans to support their customers in the cannabis industry.

### Funding, Financing and Affordability Solutions Discussion Highlights

The NGA roundtable sessions focused on “**funding, financing and affordability solutions**” included a presentation by USDA on sources of federal funding available to support rural communities and discussions around other financing programs offered by utilities, such as On-Bill Financing (OBF), (which is offered by about 100 co-ops nationwide) and the related Pay As You Save Program (PAYS). With OBF, consumers

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<sup>4</sup> <https://energy.maryland.gov/Pages/insideMEA/index.aspx>

<sup>5</sup> <https://energy.maryland.gov/govt/Pages/incentives.aspx>

<sup>6</sup> <https://mosaves.com/energy-efficiency-programs-in-missouri/>

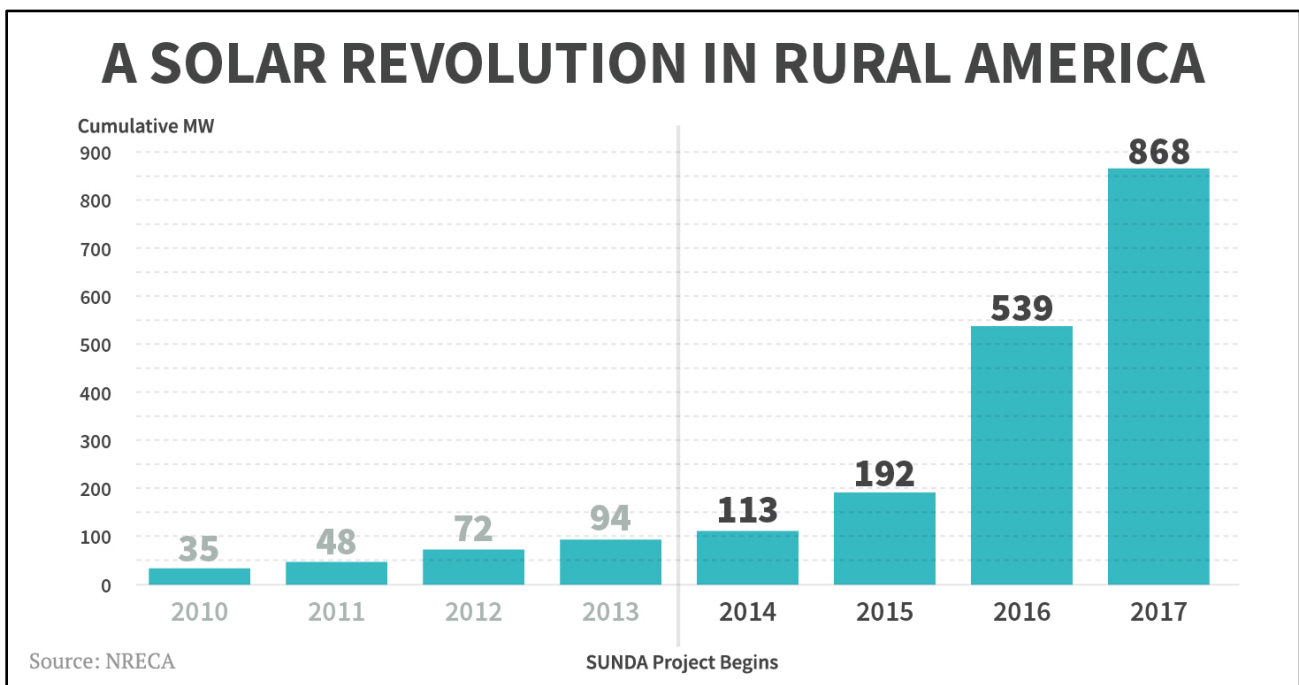
<sup>7</sup> Information about each utilities eligibility can be found on the MEEIA website at <https://mosaves.com/missouris-energy-efficiency-laws-policies/missouri-energy-efficiency-investment-act-meeia/>

<sup>8</sup> <https://energyoffice.colorado.gov/agricultural-energy-efficiency-agee>

<sup>9</sup> The CCEM pilot builds from the Colorado Energy Office's 2018 report – Energy Use in the Colorado Cannabis Industry <https://www.colorado.gov/pacific/cdphe/greencannabis/energy-resources>

receive a product or service and pay for it over time as a charge on their monthly bills.<sup>10</sup> Attendees recognized that the cooperative model provides certain flexibilities that enable OBF to be established and offered to consumers as a utility service option. Some states, such as Missouri, are looking to introduce OBF programs and are referencing co-ops’ programs as “notable successes” that can be used as reference points.<sup>11</sup> Many of the roundtable attendees were familiar with co-ops’ efforts in this space and highlighted [Ouachita](#) and [Roanoke](#) Electric Cooperatives as “notable success” stories in the implementation of OBF and the PAYS program. Both co-ops serve territories with high percentages of low-income members.

Attendees also highlighted the role that distributed generation, specifically community solar, is playing in rural and agricultural communities. Our rural electric member co-ops have contributed significantly to the growth of utility-sponsored community solar projects in the United States, with the two-thirds of all utility community solar projects through 2016 attributed to rural electric cooperatives.<sup>12</sup> NRECA’s SUNDA project (Solar Utility Network Deployment Acceleration) with the U.S. Department of Energy and in collaboration with some of our electric co-op members helped to show the possibility for solar energy in rural communities and spurred the current trajectory of community solar in our co-ops’ territories.<sup>13</sup> (See Figure 2)



**Figure 2: SUNDA Program Data Showing Expansion of Solar Projects in the U.S.**

<sup>10</sup> Visit NRECA’s cooperative.com for various articles, case studies and other resources related to On-Bill Financing. Links include: <https://www.cooperative.com/programs-services/bts/distributed-energy-resources/Pages/On-Bill-Financing-for-Cooperatives---An-Overview.aspx>

<https://www.cooperative.com/programs-services/bts/energy-access/Pages/default.aspx>

<sup>11</sup> <https://energynews.us/2019/02/07/midwest/missouri-utilities-consider-program-to-pay-for-efficiency-on-customer-bills/>

<sup>12</sup> Motyka, Marlene. “Unlocking the value of community solar: Utilities find opportunity in the inevitable growth of distributed energy resources” (2016). See <https://www2.deloitte.com/us/en/pages/energy-and-resources/articles/community-solar-market-renewable-energy-trends.html> accessed July 20, 2019.

<sup>13</sup> <https://www.cooperative.com/news/Pages/SUNDA-Solar-Project-Leaves-a-Legacy-of-Cooperation-Knowledge-and-Success.aspx>

Further discussions on this topic included: the recognition that OBF and related tariff programs might be helpful in increasing access to energy efficiency and clean energy programs to consumers, especially LMI consumers; how the funding and financing streams are structured for availability to consumers; and whether participation in OBF programs would impact other low-income benefits available for – or in use by – program participants.

The USDA’s presentation from the Rural Business Cooperative Service division, focused on resources (grants, loans and other programs) available to support rural communities. The [programs](#) offered by the Rural Business Cooperative Service aim to provide capital, technical assistance, training, workforce development, and other skills to support rural businesses and help them grow.

### **Outreach and Engagement with Rural Communities Discussion Highlights**

During the discussion on “**outreach and engagement with rural communities,**” attendees participated in a robust dialogue that included questions about the unique challenges states face in engaging with rural or agricultural communities, the opportunities and challenges that states face when engaging with rural co-ops, how utilities can educate their staff to reach beyond the metro areas when establishing efficiency programs, and how we can learn from success and failures in outreach and engagement. While challenges that exist in rural communities are generally well-known – sparse populations, but with the same need as metro areas for infrastructure, fewer opportunities for jobs and community services, greater distance between places which impacts transportation and related costs, etc., – opportunities to engage rural communities and the organizations that serve them, such as our member co-ops, exist as well. Co-ops can work together with other co-ops to do projects that benefit the wider co-op community (community solar and broadband are two examples), and co-ops offer innovative product and service offerings to their consumer-members.

Attendees recommendations to the NGA include, but were not limited to the following:

- States should reach out to co-ops (and their statewide organizations) who can serve as a direct link to the communities.
- Understand that co-ops are unable to use tax credits and state incentives in the same way as other utilities.
- Partnerships (such as those formed with community action agencies and religious organizations, etc.) are important in reaching certain communities. These entities have already built trust with the communities they serve and can serve as an entry-point for states to engage with these communities.
- Educate utilities and partner organizations on the various loans and grants available to support rural communities and how to apply for these opportunities, etc.

The roundtable ended with participants identifying key takeaways and how they can be applied. The consensus was that while there are challenges in engaging with rural and agricultural areas, states can achieve more by continuing to engage with utilities and other industry partners who work with and collaborate with rural communities. The NGA acknowledged the need for this type of engagement and welcomes ideas from all sources.

## Additional Resources

- [\*Advancing Energy Access for All\* website](#)
- [Case Study on On-Bill Financing – Ouachita Electric Cooperative](#)
- [Roanoke Electric Cooperative – Upgrade to \\$ave](#)
- [“Essential Services”: Co-op programs are tailor-made for low and moderate income members](#)
- [NGA’s Energy Infrastructure and Environment Division](#)

## Contacts for Questions

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