

RUS received comments dated December 4, 2002, from the National Rural Electric Cooperative Association (NRECA) and Central Electric Power Cooperative (CEPC), December 6, 2002, from Sandia National Laboratories (Sandia), and December 9, 2002, from Denetsosie Law Office on behalf of the Navajo Tribal Utility Authority (NTUA).

NRECA recommended that RUS amend §§ 1721.101(b) and 1721.106(a) to clarify the language and ensure that it is consistent by removing the reference to principal in the first sentence of these two sections. RUS should also remove the reference to "level payment" in § 1721.101(b). These changes would make the language consistent and would help to eliminate questions regarding repayment of deferred payments. RUS agrees with these comments and has made the change to the final rule wording under §§ 1721.101(b) and 1721.106(a).

NRECA, Sandia, and NTUA recommend revising the definition of "Off-grid renewable energy system" and NRECA and CEPC recommend revising the definition of "Renewable energy systems," both to be more detailed. RUS is in agreement with these recommendations and has made the changes to the final rule wording under § 1710.2.

In addition, CEPC recommended that RUS give examples of the types of fuel that could qualify as renewable and stated it would also be beneficial to define the term "Green Power." RUS determined that the definition is clearly inclusive of all types of biomass including the examples recommended by CEPC, so no change was made. CEPC also recommended that RUS define Green Power so those organizations that offer Green Power as part of an energy portfolio could do so with certainty regarding acceptable green fuel types to that make a part of their energy mix. RUS did not define the term "Green Power" in its definitions. The definition of Green Power would require a new rulemaking. Renewable energy is considered a type of distributed generation. Additional eligibility purposes for renewable energy are included in 7 CFR 1721.104(c).

There was a typographical error in § 1710.2, On-grid renewable energy system, definition. The word "consumer's" in the second sentence has been corrected to "customer's".

List of Subjects

7 CFR Part 1710

Electric power, Electric utilities, Loan programs—energy, Reporting and

recordkeeping requirements, Rural areas.

7 CFR Part 1721

Electric power, Loan programs—energy, Rural areas.

■ For the reasons set forth in the preamble, RUS amends 7 CFR chapter XVII as follows:

PART 1710—GENERAL AND PRE-LOAN POLICIES AND PROCEDURES COMMON TO ELECTRIC LOANS AND GUARANTEES

■ 1. The authority citation for part 1710 continues to read:

Authority: 7 U.S.C. 901 *et seq.*; 1921 *et seq.*, and 6941 *et seq.*

Subpart A—General

■ 2. Amend § 1710.2(a) by adding a new definition of "Distributed generation" in alphabetical order and by revising the definitions of "Off-grid renewable energy system," "On-grid renewable energy system," and "Renewable energy system" as follows:

§ 1710.2 Definitions and rules of construction.

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Distributed generation is the generation of electricity by a sufficiently small electric generating system as to allow interconnection of the electric generating system near the point of service at distribution voltages including points on the customer side of the meter. A distributed generating system may be operated in parallel or independent of the electric power system. A distributed generating system may be fueled by any source, including but not limited to renewable energy sources. A distributed generation project may include one or more distributed generation systems.

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Off-grid renewable energy system is a renewable energy system not interconnected to an area electric power system (EPS). An off-grid renewable energy system in areas without access to an area EPS may include energy consuming devices and electric wiring to provide for more effective or more efficient use of the electricity produced by the system.

On-grid renewable energy system is a renewable energy system interconnected to an area electric power system (EPS) through a normally open or normally closed device. It can be interconnected to the EPS on either side of a customer's meter.

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Renewable energy system is an energy conversion system fueled from any of the following energy sources: Solar, wind, hydropower, biomass, or geothermal. Any of these energy sources may be converted to heat or electricity, provided heat is a by-product of electricity generation. Non-renewable energy sources may be used by a renewable energy system for incidental and necessary means such as, but not limited to, system start up, flame stabilization, continuity of system processes, or reduction of the moisture content of renewable fuels. Energy from bio-mass may be converted from any organic matter available on a renewable basis, including dedicated energy crops and trees, agricultural food and feed crops, agricultural crop wastes and residues, wood wastes and residues, aquatic plants, animal wastes, municipal wastes, and other waste materials.

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PART 1721—POST LOAN POLICIES AND PROCEDURES FOR INSURED ELECTRIC LOANS

■ 3. The authority citation for part 1721 continues to read:

Authority: 7 U.S.C. 901 *et seq.*; 1921 *et seq.*, and 6941 *et seq.*

Subpart B—Extensions of Payments of Principal and Interest

■ 4. Amend § 1721.101 by revising paragraph (b) to read as follows:

§ 1721.101 General.

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(b) The total amount of interest that has been deferred, including interest on deferred principal, will be added to the principal balance, and the total amount of principal and interest that has been deferred will be reamortized over the remaining life of the applicable note beginning in the first year the deferral period ends.

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■ 5. Amend § 1721.103 by adding paragraph (c) to read as follows:

§ 1721.103 Policy.

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(c) The maximum interest rate a RUS Borrower can charge on deferments for programs relating to consumer loans, *e.g.*, energy resource conservation (ERC) program, contribution-in-aid of construction (CIAC), etc., will not be more than 300 basis points above the average interest rate on the note(s) being deferred. For example, if the RUS Borrower's average interest rate on the note(s) being deferred is 5 percent, the