



**National Rural Electric
Cooperative Association**

A Touchstone Energy® Cooperative 

NRECA Guidance to the USDA Rural Development Transition Team

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Electric Cooperative Overview

The electric cooperative mission is to provide affordable and reliable electric power to our 42 million consumer-owners living in 47 states. We have no profit motive.

Electric cooperatives:

- Cover nearly 75 percent of the nation's land mass.
- Serve about 12 percent of the population and are present in 2,500 of U.S. 3,141 counties.
- Generate less than five percent of the nation's electric power.
- Maintain nearly half of the nation's electric distribution lines.

Electric Cooperatives and USDA: A Long-standing, Productive Relationship

A 70-year partnership with the U.S. Department of Agriculture's Rural Utilities Service (RUS) makes it possible for cooperatives to construct and maintain their distribution and generation systems – a difficult and expensive job. Cooperatives generate about half of the power needed to serve our consumer-owners; the other half must be purchased on the open market. RUS interest-bearing loans help make these worthwhile investments possible and allow cooperatives to stabilize consumer rates.

As demand for power grows, RUS loans are critical for making sure adequate electric infrastructure remains available and new, cleaner technologies can contribute to the cooperative power supply portfolio. The low-cost RUS program compensates for the fact that cooperatives are not eligible for more generous federal subsidies awarded to the investor-owned and municipal utility sectors.

Electric Cooperatives and USDA: Partners on Rural Economic Development

Cooperatives partner with RUS to bring much-needed economic development to struggling communities. Using the Rural Economic Development Loan and Grant program (REDLG), co-ops have helped dozens of communities across the country establish and



sustain industries, community facilities, and infrastructure. Program funds do not cost the taxpayer, but instead come from early payments on RUS loans and other co-op contributions. RUS administers the program while co-ops implement it by making zero-interest loans and grants to eligible communities for projects that can create economic sustainability. To date, REDLG has invested nearly \$385 million in over 1,200 projects across rural America while leveraging \$2 billion in private funds and creating over 40,000 jobs.

Unfortunately, previous Administrations and Congresses have frequently re-purposed REDLG funds. These actions deny much-needed assistance to vulnerable communities and turn back the clock on rural development.

Electric Cooperatives and USDA: Meeting the Renewable Energy Challenge

Cooperative-Owned Renewable Generation

Cooperatives are committed to using renewable generation and bringing it online where it makes economic sense and improves the environment. However, it has been extremely difficult for not-for-profit cooperatives to build our own large-scale renewable generation. Cooperatives could not access lower-cost financing and tax credits that other industry segments have used to construct these resources. 2008 Farm Bill adjustments to the RUS program will for the first time allow significant lending for renewable generation. A large group of electric cooperatives has formed a “National Renewable Cooperative Organization” to allow cooperatives to plan, build and own large-scale generation for the first time.

Renewable Energy Policies and Increasing Demand for Generation

Some renewable energy policies have unintended consequences for the RUS and electric cooperatives, actually increasing demand for power and causing electric cooperatives to buy or build more generation. For instance, intermittent wind generation requires back-up generation, which is often natural gas. Rural areas host natural gas transmission lines. Electric cooperatives are providing more electricity than ever to pumping stations along these lines. And in the Great Plains states, many bio-fuels plants have chosen to locate in electric cooperative service territory. Even when the human population is declining in these areas, demand is growing robustly because of the plants’ large appetite for electricity.

USDA Renewable Grant and Loan Program

Electric cooperatives are continuing to make good use of the Rural Energy for America Program (REAP), Section 9007 of the 2008 Farm Bill. This valuable program allows farmers, ranchers and other rural enterprises to access loans and grants for the purpose of improving efficiency or increasing renewable energy production. This program has spurred many rural enterprises to perform energy audits or invest in new technologies such as manure digesters. The current Administration’s proposed implementation rules would emphasize loans rather than grants. The program has also historically received inadequate funding.



In order to reach more communities and have a wider impact, this proven program should continue to have a substantial grant component and the Obama Administration's budget should highlight the program's effectiveness and value.

Interstate Transmission for Renewable Energy

A comprehensive set of federal policies and funding mechanisms are needed to ensure the near-term construction of transmission that can handle increased demand. These policies must, at a minimum, include a requirement that siting is performed through multi-state regional planning and that rural consumers who are not using the power do not pay for the new lines.

Electric Cooperatives and USDA: Rural Broadband Champions

President-elect Obama's focus on broadband deployment is an essential component of jump-starting our economy, especially in rural areas. Electric cooperatives have worked for many years to bring broadband to rural areas that otherwise would have little chance at connectivity. Through the National Rural Telecommunications Cooperative (NRTC), a sister organization of NRECA, electric cooperatives have deployed "Wildblue" a satellite broadband application, in dozens of communities. NRECA and NRTC look forward to working closely with USDA, through its rural broadband program and other avenues, to expand rural communities' access to broadband