



# FAST FACTS

## Electric Cooperative Financing

### **RUS Electric Loan Programs: Investments in a Secure, Reliable Electric Utility Infrastructure**

**Issue.** Electric cooperatives have been creating value for their communities for more than 70 years. The nation's 930 consumer-owned, private electric cooperative utilities generate, transmit and distribute electric energy in 47 states. Electric cooperatives are consumer-owned, not-for-profit businesses. Electric cooperatives are governed by a board of directors elected by the consumers on a one member, one vote principle. This very successful business model has proven its ability to let people own and operate their own utility business, and to provide themselves with adequate, affordable, and reliable electricity.

Electric cooperatives' lines and poles span more than 75 percent of the nation's landmass. While member-owned and operated electric cooperatives have invested \$92 billion in 16,000 bulk transmission line miles and more than 2.4 million miles of distribution line amounting to 43 percent of the nation's distribution line miles, their generation is less than 5 percent of U.S. electric capacity.

A comparison of electric utilities shows:

- Co-ops serve an average of 7 consumers per mile of line with annual revenues of \$10,565 per mile of line;
- Investor-owned utilities average 35 customers per mile of line and collect \$62,665 in revenue per mile of line;
- Publicly owned utilities, or municipals, average 46.6 consumers and collect \$86,302 in revenue per mile of line.

A federal investment of less than \$10 million leverages more than \$6 billion in RUS electric loan investment. The small federal investment in the RUS Electric Loan Program over the years, coupled with strong management of the cooperative businesses, keep rural electric infrastructure strong and viable today. Electric cooperatives adapt to a rapidly changing industry environment because of the local, consumer-owned, consumer-controlled form of governance.

As demand for power grows, the RUS Electric Loan Program is critical to making sure that adequate electric infrastructure remains available and new, cleaner technologies can contribute to the electric cooperative power supply portfolio. The low-cost RUS program compensates for the fact that cooperatives are not eligible for more generous federal subsidies, provided through the federal tax code, to the investor-owned and municipal utility sectors. Electric cooperatives and RUS continue to maintain a record of careful loan management and repayment that results in negligible federal budget impacts.

Unfortunately, a decision by the Office of Management and Budget in the last few years abruptly ended the normal RUS practice of financing much-needed baseload electric generation, which allows electric cooperative consumers-owners to own power supply and protect themselves from monopoly controls imposed by others and volatile and drastic rate increases. However, Congress continues to extend subsidies for all generation plants to IOUs and municipal utilities through the tax code.

Another critical RUS program is the Guaranteed Underwriter Program, reauthorized in the Farm Bill, which allows a qualified private lender to issue a guaranteed note to the Federal Financing Bank (FFB) and use the proceeds from that note to make utility loans to rural electric cooperatives. This program

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strengthens the public-private partnership and leverages additional investment in rural America at no cost to the federal government.

In addition, a guarantee fee paid by the private lenders supports the Rural Economic Development Loan and Grant program (REDL&G) that helps electric cooperatives invest in local community and economic development, further stimulating economic growth and job creation – also at no cost to the federal government.

**Status.** The Obama Administration’s FY10 budget proposal included full funding of \$6.6 billion for the RUS Electric Loan Program, recognizing that the Agriculture Department focuses on providing financing needed to help improve utilities and infrastructure in rural America. The Guaranteed Underwriter Loan Program did not receive funding under the FY10 budget proposal, even though it is authorized at a \$1 billion loan level. In early October, Congress passed an Agriculture spending bill with \$6.6 billion in Electric Loan Program level and \$500 million for the Guaranteed Underwriter Program.

#### RUS Loan Programs

<u>House/Senate FY08 Approps</u>	<u>House/Senate FY09 Approps</u>	<u>Administration FY10 Budget</u>	<u>House/Senate FY10 Approps</u>
\$6.6 billion	\$6.6 billion	\$6.6 billion	\$6.6 billion

**NRECA position.** The relatively small federal investment in the RUS electric loan programs over the years, coupled with efficient management of the cooperative businesses, makes the rural electric infrastructure strong and viable. NRECA is asking Congress to ensure that rural consumers continue to have access to safe, reliable, and at-cost supplies of power from electric cooperative utilities by fully funding the RUS electric loan program to reduce a backlog of pending RUS loan applications and fund the Guaranteed Underwriter Loan Program. NRECA also urges Congress to restore the RUS generation program, which has been shelved while tax benefits continue to flow to investor-owned and municipal utilities and oppose any regulation that would dramatically alter the mission of RUS loan program.

for more information  
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**National Rural Electric  
Cooperative Association**

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