



United States
Department of
Agriculture

Rural Development



Presented by:
Luis Bernal

Rural Utilities Service: Electric Program Opportunities Presentation to the NASEO

*Washington, DC
July 26, 2017*

Rural Utilities Service- Electric Program: Overview

- The Electric Program provides capital and leadership to maintain, expand, upgrade and modernize America's vast rural electric infrastructure.
- The loans and loan guarantees finance the construction or improvement of electric distribution, transmission and generation facilities in rural areas.
- The Electric Program also provides funding to support demand-side management, energy efficiency and conservation programs, and on-and off-grid renewable energy systems.
- Loans are made to cooperatives, corporations, states, territories, subdivisions, municipalities, utility districts and non-profit organizations.
- RUS-financed electric systems provide service to more than 90% of the Nation's counties identified as having persistent poverty, out-migration, or other economic hardships.

RUS- Electric Program: Profile (2017)

- Current loan portfolio is approximately \$42 billion
- \$120 billion total investment since inception of program
- 591 current borrowers
- Over 2,200 active loans
- 0.04% delinquency rate
- RUS has provided \$1.1 billion for 18 renewable projects
- Over 40% of the electric infrastructure in the USA built by entities currently or once financed by RUS/REA

RUS- Electric Program: History

1935: Rural Electrification Administration is created by Executive Order issued by Franklin Delano Roosevelt.

1936: President Roosevelt signs the Rural Electrification Act of 1936 (REA).

1940: The REA allotments provide electric service for more than 1 million farms and other rural consumers in 45 states and 2,000 counties.

1973: The REA is amended to provide for insured and guaranteed loans.

RUS- Electric Program: History

2000: RUS Electric Program approves the first renewable energy loan for \$4.8 million to build an off-grid solar system.

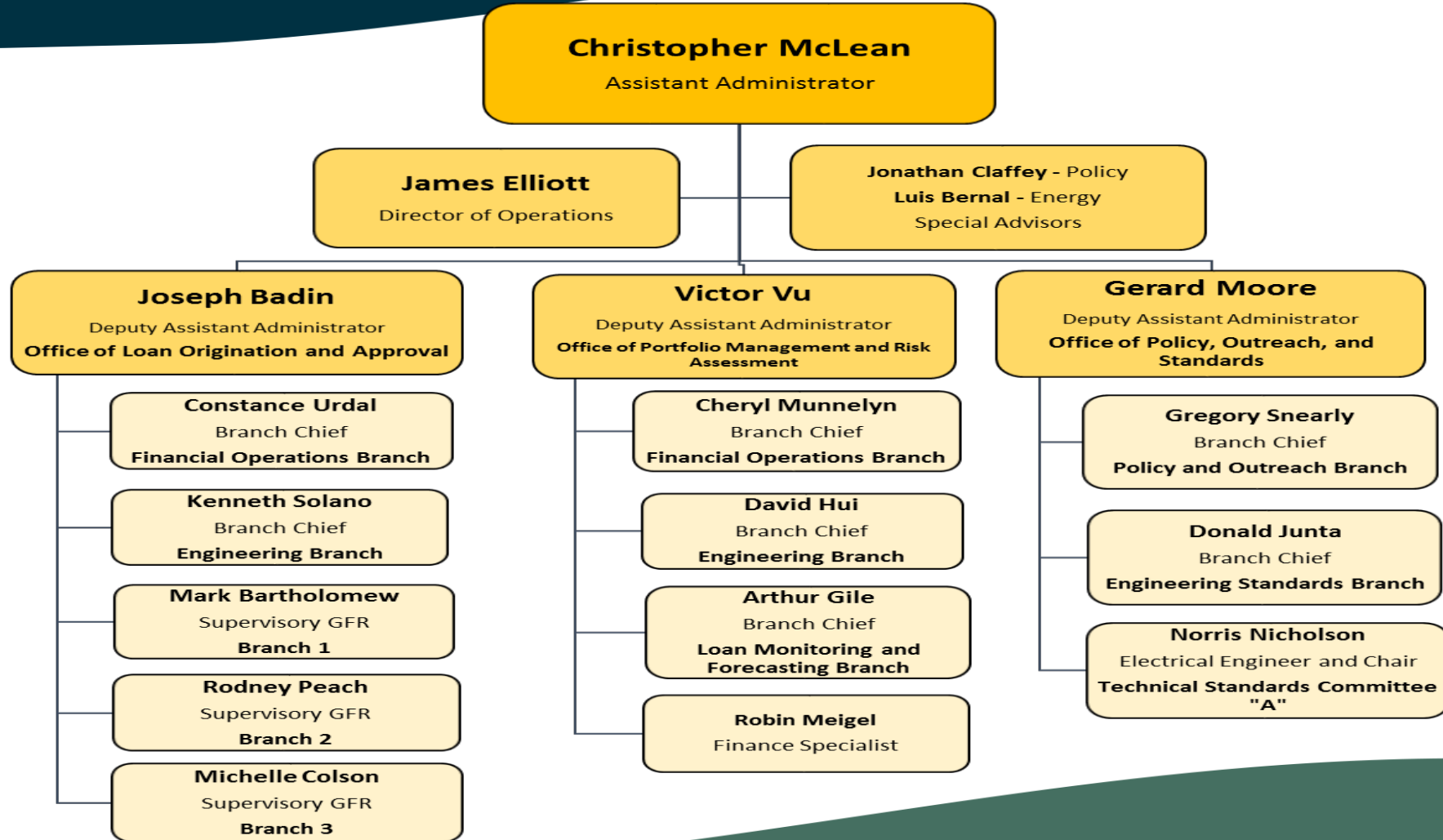
2014: The RUS Electric Program launched the Energy Efficiency and Conservation Loan Program (EECLP) and approved its first 2 loans totaling \$10.6 million.

2015: The RUS Electric Program had approved 18 grid-connected renewable energy loans totaling \$1.1 billion. Includes biomass, solar, wind, and hydro projects.

2016: The RUS Electric Program launched the Rural Energy Savings Program (RESP).

2017: The RUS Electric Program approved the first set of RESP loans.

RUS- Electric Program: Organizational Structure



RUS- Electric Program: GFRs Distribution

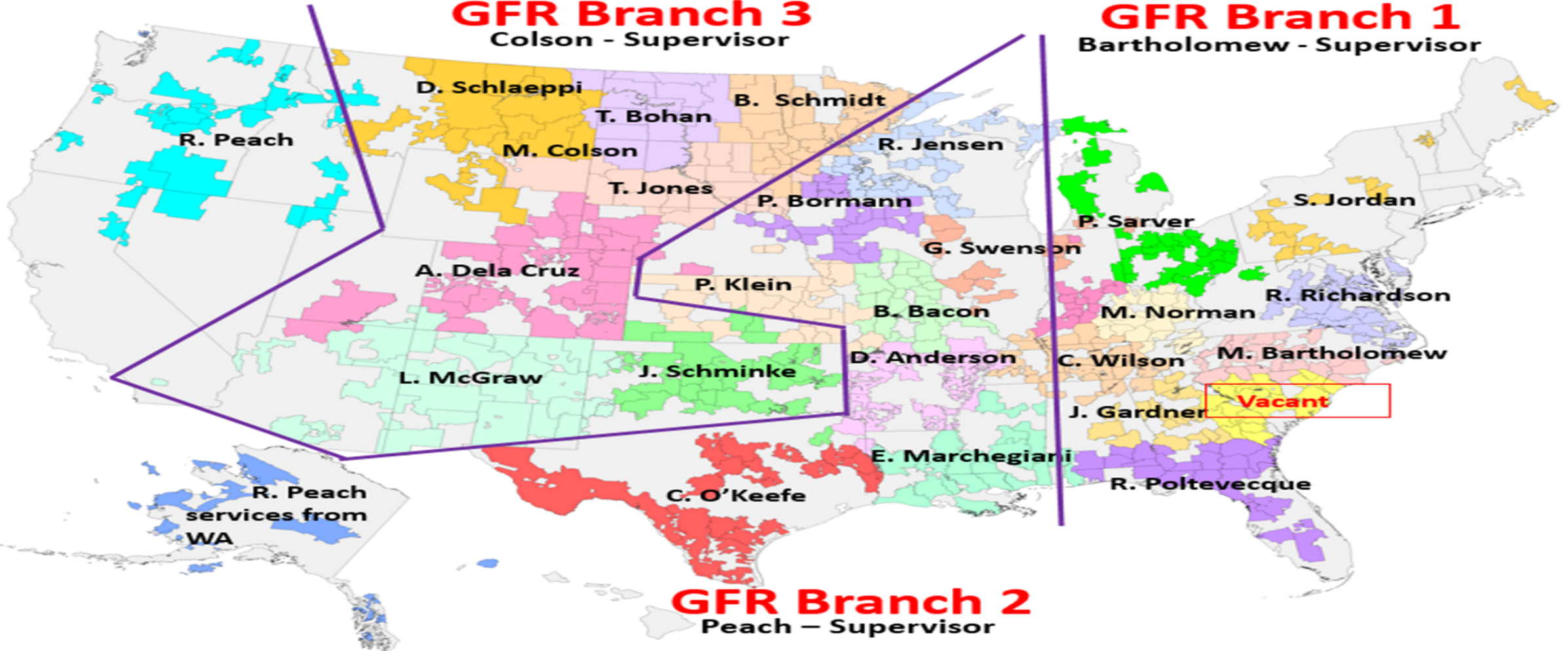
Electric Program GFR Assignments

GFR Branch 3

Colson - Supervisor

GFR Branch 1

Bartholomew - Supervisor



RUS- Electric Program: Portfolio of Products

FFB Loan Guarantee Program-

- Construction of electric distribution, transmission, and generation facilities,
- Demand side management
- Energy efficiency and conservation programs (EECLP)
- On-grid and off-grid renewable energy systems

313A Program: Guarantees for Bonds and Notes Issued for Electrification or Telephone Purposes Loan Program

The participant may use the proceeds of loan funds made available under the 313A Program to make loans to borrowers for electrification or telecommunications purposes, or to refinance bonds or notes previously issued by applicants for such purposes.

RESP Direct Loan

Loans to entities that agree to make affordable loans to their consumers to implement cost-effective, energy efficiency measures.

High Energy Cost Grants

Assists energy providers and other eligible entities in lowering energy costs for families and individuals in areas with extremely high per-household energy costs (275% national average or higher)

RUS- Electric Program: General Eligibility Elements

FFB Guarantee Loans

1. Corporations
2. States, territories (subdivisions and agencies)
3. Municipalities
4. people's utility districts
5. Cooperative
6. Nonprofit
7. Limited-dividend, or mutual associations

Providing or proposing to provide:

- a. Retail electric service needs of rural areas
- b. Power supply needs of distribution borrowers

Rural Area= Any area of the United States other than a city, town, or unincorporated area that has a population 20,000 inhabitants or less.

RUS- Electric Program: General Eligibility Elements

Rural Energy Savings Program

1. Public power district
1. Public utility district (or similar entity)
1. Electric cooperative +
 - a. borrowed and repaid or prepaid,
 - b. is paying an electric loan made or guaranteed RUS
4. Any entity primarily owned or controlled by 1 or more of the above entities
5. Any other entity that is an RUS eligible borrower

313A Program- A bank or other lending institution organized as a private, not-for-profit cooperative association, or otherwise organized on a non-profit basis with expertise, experience and qualifications to make loans for electrification or telephone purposes.

RUS- Electric Program Loans : Key Common Factors

Loan Feasibility

- The borrower has to be capable of repaying the loan in full as scheduled, in accordance with the terms of the mortgage, note, and loan contract.

Loan Security

- Loans will ordinarily be secured by a first and prior lien on substantially all the RESP borrower's property.
- Collateral that is used to secure a loan must be free from liens or security interests other those permitted by RUS or existing security documents.

FFB Guarantee Loans and 313A : Eligible Activities

FFB Guarantee

- Construction of new distribution facilities or systems.
- System improvements to meet load growth needs, improve quality of service or replace existing facilities
- Purchase, rehabilitation and integration of existing distribution utilities
- Construction and/or ordinary replacement of new transmission and generation facilities or systems
- Purchase of an ownership interest in new or existing G&T facility

313A- Guarantees for bonds & notes for rural electrification

- Proceeds of the guaranteed bonds will be used by the guaranteed lender to make loans to borrowers for electrification or to refinance bonds or notes previously issued by the guaranteed lender for such purposes.
- Proceeds of the guaranteed bonds **will not** be used directly or indirectly to fund projects for the generation of electricity

High Energy Cost Grant: Eligible Activities

The acquisition, construction, replacement, repair, or improvement of:

1. Electric generation, transmission, and distribution facilities, and equipment,
2. Natural gas distribution or storage facilities and associated equipment and activities
3. Petroleum product storage and handling facilities serving residential or community use.
4. Renewable energy facilities used for on-grid or off-grid electric power generation, water or space heating, or process heating and power
5. Backup up or emergency power generation or energy storage equipment (including DER)
6. Implementation of cost-effective energy efficiency, energy conservation measures that are part of a coordinated DSM or EC Program
E.g. residential and community facilities weatherization measures

RESP vs. EECLP: Comparison

	EECLP- \$Billions	RESP- (Subject to Appropriation)
Eligibility	Utilities in rural areas	Not limited to utilities but they have to serve rural areas (E.g. subsidiaries of utilities)
Purpose	To help utilities manage their system load growth or a more beneficial load profile	To help rural families & rural small businesses reduce energy costs or consumption
Interest Rate	US treasury rate + 1/8 th %	0%
Interest Rate to Borrower	US treasury rate +borrowers interest rate from RUS +1.5%	3% or lower
Mark-up to end user	Capped at 1.5%, waived on case by case basis	Capped at 3%
Advances	Reimbursable	May or may not be reimbursable
Advance for start-up activities	Up to 5%	Up to 4%
Loan term	15 years or useful life of equipment	Up to 20 years
Acceptable financial structures/ investments	On bill, on bill-tariff based structures, direct investments in the utility's system	Only for re-lending like in tariff charge, PACE programs, traditional consumer loans (line item in the electric bill)
RUS Cushion of Credit	Available	Not available

Environmental Compliance Agreement: Applicable to RESP and EECLP

Commitments:

1. Prior to re-lending, the RUS borrower will
 - a. Conduct a screening of the consumer's propose use of funds to determine if they fall within the Categorical Exclusions.
 - b. Obtain sufficient information from the consumer to determine applicability of the Cat. Ex. or to evaluate an Environmental Report an determine if extraordinary circumstances exist.
 - c. Document conclusions regarding the applicability of the Cat. Ex for each approved loan.
 - d. Refer to RUS for further environmental review:
 - i) Activities that do not meet the criteria for Cat Ex.
 - ii) Consumer applications with extraordinary circumstances;
 - iii) Consumer applications that may be in violation of 7 CFR § 1970.12, Limitations on actions during the NEPA process.

Note: WEP staff will assist the RESP Applicant during this process.

Attachments to the Agreement will provide guidance.

RUS- Electric Program : Last Year's Performance

Total loans obligated:	91	\$3.9B
FY16 loans (FFB)	89	\$3.2B
Distribution loans	71	\$1.8B
G&T loans	18	\$1.3B
Note Guarantees (313A):	2	\$0.75B
FY 16 loan purposes:		
Distribution		\$2.4 billion
Transmission		\$443 million
Smart Grid		\$338 million
Renewable projects		\$47 million
EECLP		\$68 million
High Energy Cost Grants: 8 grantees		\$8.9 million



United States
Department of
Agriculture

Rural Development



Contact Information :

Luis Bernal
Rural Development
Rural Utilities Service, Electric Program
Luis.Bernal@wdc.usda.gov
Office: 202.205.3655
www.rd.usda.gov

USDA Rural Development is committed to the future of rural communities.