Transition Support for America's Rural Electric System Costs $100 Billion — and Why It's Worth It.

2/3 of all electricity sold to member-owners of electric cooperatives is fossil fueled, and electric cooperatives serve 90% of counties Federally-recognized for persistent poverty.

Altogether, electric cooperatives already have more than $100 billion in debt, and nearly half is financed directly by the federal government.

Now, the power sector faces calls for a new standard of zero carbon emissions by 2035 while also needing to deliver more electricity for electric vehicles and better, all-electric buildings.

The path to a lower carbon future should not drive electric cooperatives and the communities who own them further into debt. Instead, it should create new jobs and economic relief.

Using an existing authority of the Rural Development Administration, Congress can budget $100 billion in federally-insured loans with terms of forgiveness for new investments to ensure the U.S. can fulfill its promises on economic recovery, climate action, and rural development.

Why $100 billion?

$57 billion	$1/W for 57,000 MW of replaced fossil fueled generation[1, 2], with at least 10% for economic support to workers and communities affected by the plant closures.
$35 billion	$7,000 per house for efficiency and beneficial electrification of 1/4 of households served by rural electric cooperatives (5M).[3]
$8 billion	Two-way EV chargers for energy assurance, tapping 240,000 MWh of battery capacity with just one car for 1/5 of households served by rural electric cooperatives (4M)[4]
$10 billion	Bill relief equivalent to industry assessment of need during the pandemic.

Even with only these categories, the potential claims for loan forgiveness would exceed $100 billion.

The CARES Act succeeded in conveying 900% more money through a federally insured loan program with terms of forgiveness for small businesses that faced hardship and spent their loans on paychecks, rent, and utility bills. With existing authority at the Rural Development Administration, all members of the National Rural Electric Cooperative Authority (NRECA) would be eligible to access the transition support.

FY22 Budget Resolution must fund USDA to replace rural electric hardships with clean energy solutions and community transition support

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[1] The Department of Energy already offers federally insured loans for certain projects, including $10.9 billion for nuclear reactors and $8.5 billion for advanced fossil projects that include carbon capture, utilization & sequestration (CCUS), eliminating financial risk of projects that fail. With that support available now, those categories would not be included in the terms of forgiveness of the USDA hardship program.

[2] The bipartisan infrastructure agreement includes an additional $73 billion for transmission for the power sector.

[3] The value of this investment depends in part on the $65 billion in broadband expansion that is included in the bipartisan infrastructure package that makes the ENERGY STAR Home Upgrade equipment smart, improving grid flexibility and utilization.

[4] Households in cold climates must access on-site batteries to have energy assurance with electric heat pumps.

Our federal government is the top lender to the most carbon intensive segment of the power sector. The electric cooperative sector accounts for 1/5 of all carbon pollution in the power sector, and 9 of the 13 most carbon intensive utilities in the U.S. are cooperatives.

To change that portfolio, massive reinvestment in rural energy infrastructure is required.
We've achieved feats like this before:
Within 14 years, rural electrification soared from 10% to 80%, thanks to the Rural Electrification Act of 1936 — one of the most successful economic programs in U.S. history.

Today more than 832 distribution electric co-ops own 63 generation cooperatives and serve 42 million Americans, who buy $40 billion of power every year. Most of it comes from fossil fuel plants that are becoming stranded assets. In Minnesota, just one coal plant lost rural residents over $170 million in 2019 alone. Even when old infrastructure is retired, the debt still remains making it incredibly hard for utilities to pay for much needed upgrades to cleaner solutions.

Legacy debt is stranding electric cooperatives and rural communities with stranded assets. Without a major investment in the rural electric system the energy transition will not happen.

Electric cooperatives owe $100 billion, and the federal government is their #1 source of debt. As non-profit utilities, the cooperatives have no way to raise equity without raising rates in places already experiencing the highest levels of energy burden.[5] In the economically distressed region of Eastern Kentucky, member-owners pay $500,000 **a day** in debt service.

USDA Rural Development has existing authority to make federally-insured Hardship loans to electric utilities.[6] The FY22 budget resolution can fund that authority, and the Agriculture Committee can include terms of forgiveness that are consistent with national interests in clean energy and rural development.

We've already achieved feats like this recently: A popular 2020 CARES Act policy supported small businesses by deploying $945 billion in the past 18 months through federally insured SBA loans with terms of forgiveness conditioned on payments for payroll, utilities, and rent.

With $100 billion for federally-insured Hardship Loans, we can build back better, address historic injustices, and assure rural communities can achieve an inclusive clean energy economy in time.

[5] https://kftc.org/campaigns/energy-democracy/power-maps/electricity-energy-burden-analysis

[6] See 7 U.S.C. 935 (c)(1). In implementation, Secretary can allocate insurance for the loans to both the Rural Utilities Service and the Rural Business Service to assure access by all rural utilities facing hardship, even those averse to borrowing from the Rural Utilities Service due to a provision of the Federal Power Act related to FERC jurisdiction.