



April 6, 2020

The Honorable Mitch McConnell
Majority Leader
United States Senate
S-230, The Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-232, The Capitol
Washington, D.C. 20515

The Honorable Charles E. Schumer
Democratic Leader
United States Senate
S-221, The Capitol
Washington, D.C. 20515

The Honorable Kevin McCarthy
Republican Leader
United States House of Representatives
H-204, The Capitol
Washington, D.C. 20515

Dear Leader McConnell, Speaker Pelosi, Leader Schumer and Leader McCarthy:

On behalf of America's more than 900 electric cooperatives, I commend you for the comprehensive and bipartisan action by Congress in response to the unprecedented COVID-19 public health and economic crisis. As Congress undertakes additional steps to address the ongoing crisis, please consider that 1 in 8 Americans depend on a not-for-profit electric cooperative to keep the lights on and empower their local economy. Electric cooperatives are built by, and belong to, the communities we serve. That community ownership and focus drives co-ops as they respond to evolving COVID-19 challenges and local concerns.

As partners in the effort to support communities throughout the nation, electric cooperatives encourage Congress to take action to provide the tools and flexibility electric co-ops need to continue delivering safe, reliable, and affordable electricity to more than 20 million American homes, farms and businesses. As Congress crafts the next legislative response to this crisis, I write today to request the inclusion remedies to challenges currently facing electric cooperatives:

Disconnection Moratoria, Nonpayment and Loss of Load: Many states have mandated moratoriums on utility disconnections and some members of Congress have proposed a similar federal moratorium. At the same time, electric bill nonpayment is increasing nationwide and electric load from commercial and industrial users has dramatically decreased. Not-for-profit electric co-ops have no shareholders and routinely return excess revenues to their members -- \$1.2 billion in 2018 alone. Because of this structure and the desire to keep energy costs as low as possible, some electric co-ops have limited reserve margins to sustain high rates of nonpayment. As a result of nonpayments and load falloff resulting from economic hardship, some not-for-profit electric cooperatives are facing significant operational shortfalls. Without federal assistance, co-ops may face severe financial distress.

1. **Federal Funding to Address Utility Operational Shortfalls.** Federal funds are needed to address operational shortfalls for electric co-ops and other providers that comply with orders to maintain utility connections during this period of economic stress. This relief should be directed to cover incurred costs that are not recoverable through existing avenues.

USDA Rural Utilities Services (RUS): The financial stability of electric cooperatives is an immediate concern in this unprecedented time. Since many co-ops are USDA RUS borrowers, Congress should take the following actions to provide electric cooperatives financial flexibility. These steps would increase co-ops' short- and intermediate-term cashflow and help provide for any contingency without destabilizing the overall financial health of the co-op.

1. **Take advantage of unprecedented low interest rates to reprice RUS debt without penalty.** Nearly half of all electric cooperatives depend on RUS to finance their operations. Collectively, electric cooperatives hold over \$40 billion in RUS Electric Program loans. Many of these older RUS electric loans are set at significantly higher interest rates compared to the current market. A prudent step toward providing electric cooperatives with near-term flexibility is to reprice RUS loans to today's low rates and do so without pre-payment penalties. Taking this action will save money for the co-op and the community in the near term and establish a stronger foundation for the future.
2. **Increase the amount of lending available under the RUS Guaranteed Underwriter Program.** The Guaranteed Underwriter Program provides guarantees for loans made to electric cooperatives by private cooperative banks such as the Cooperative Financing Corporation (CFC) and CoBank. These not-for-profit lenders are an essential part of the financing portfolio for our members and are agile in times like these.

Rural Broadband: America's digital divide has been highlighted during the COVID-19 pandemic, particularly amid school closures, remote work arrangements and the growing need for telehealth applications. More than 100 electric cooperatives across the country are involved in diverse solutions to help connect rural communities with broadband access, but face challenges as they work to meet the growing demand for robust connectivity.

1. **Relief for consumers and small businesses unable to pay their internet service provider.** Congress should consider providing internet service vouchers to families-in-need and small businesses. Such a program would provide needed revenue to broadband providers, thus avoiding the need for disconnecting broadband service for nonpayment while also connecting more homes that need service. This can be achieved through inclusion of existing bipartisan legislation to help broadband providers keep customers connected in future relief legislation.
2. **Sustained federal investment in broadband capability in areas lacking access to 25/3 Mbps fixed-terrestrial service.** NRECA requests additional investment in existing programs such as the USDA RUS ReConnect Broadband Loan and Grant Program with

slight programmatic adjustments around eligibility of applicants and available areas. Additionally, Congress should provide funding for middle mile connectivity projects to support increased capacity to lesser served areas.

FEMA Delays: At this time of enormous economic and operational challenge, it is imperative that we not cause further stress to those already suffering from the impacts of prior natural disasters. Many communities have been impacted by hurricanes, floods, tornadoes, ice storms, etc. and their recovery has been stalled by the lack of FEMA funds. For example, many electric co-ops in Florida still have not received FEMA reimbursements for devastation caused by Hurricane Michael in 2018. The current crisis comes on top of these ongoing efforts to rebuild systems and communities from prior natural disasters. Please direct FEMA to swiftly provide pending funds to the communities that have been devastated by past disasters.

Thank you for your consideration of these proposals. America's Electric Cooperatives stand at the ready to work with you to support bipartisan, emergency solutions for the communities we serve and the nation.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Matheson", with a stylized flourish at the end.

Jim Matheson
CEO