

Testimony of Chris Stephens
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Senate Committee on Agriculture, Nutrition and Forestry
Rural Development and Energy Programs: Perspectives for the 2018 Farm Bill
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Washington, DC

Thank you, Chairman Roberts and Ranking Member Stabenow, for inviting me to testify. It's an honor to be here today to help lay the groundwork for the next Farm Bill.

My name is Chris Stephens. I am the President and CEO of Coweta-Fayette Electric Membership Corporation (EMC) – a not-for-profit cooperative providing electricity to nearly 70,000 member-owners. We operate over 6000 miles of line and employ 200 people southwest of Atlanta, Georgia. In addition to my own co-op, I'm here representing the National Rural Electric Cooperative Association.

Electric cooperatives, unlike investor owned utilities, are owned by the people they serve. We serve some of the poorest, most rural parts of our country with an average of just 10 customers per mile of line compared to IOUs with 34 customers per mile. But despite those challenges, we are doing some truly innovative work to improve the quality of life for our members. While our first priority is to deliver safe, reliable, clean, affordable electricity to our members, we have a calling to be more than just poles, wires, and electrons companies. Our broader purpose is to provide the services and support that empower our communities to thrive. Rural electric cooperatives are much more than just electric utilities. We are the engines that drive economic opportunity across the heartland and to rural areas everywhere. I am proud of the role we play in these communities.

Rural areas still grow most of the food, generate much of the power, and manufacture many of the goods that this country consumes. When rural areas suffer, the country as a whole suffers. That's why the Farm Bill should be of interest to all Members of Congress, no matter what type of district you represent.

Among our biggest challenges going forward are adapting to changes in consumer demand, accommodating an evolving generation mix, and protecting against cyber threats. The Farm Bill contains essential tools co-ops use to modernize and meet those needs. These are our priorities:

Rural Electrification Act – In the early 1900's, as urban areas began to electrify, rural areas lagged behind. Eventually, farmers and ranchers in remote areas took the initiative to form electric cooperatives and did the work themselves. As a Georgian, I have to note that it was at Warm Springs, in my home state, that President Franklin Roosevelt saw firsthand the access and cost challenges faced by rural Georgians and recognized the importance of establishing a federal program with a mission to bring electricity to rural America. That's why, on May 11, 1935, he signed an executive order creating the Rural Electrification Administration and supported subsequent legislation to establish a framework that ultimately led to electric cooperatives forming across the nation. When existing investor-owned utilities

would not put capital at risk to build infrastructure to serve sparsely populated areas - even with access to REA's below-market capital at the time - not-for-profit electric cooperatives emerged to leverage REA's affordable credit to fill the void, and the rest, as they say, is history.

In the past 80 years, a lot has changed, but the same fundamental challenge still exists – how to affordably connect those few customers in high cost rural areas. What was then called the Rural Electrification Administration is now the Rural Utilities Service and it's as relevant today as it was back then. REA and RUS loans have helped build, expand, and improve the infrastructure across rural America necessary to deliver power, clean water, and other necessities. It has been the most successful public-private infrastructure investment program in the history of the country.

RUS loans help electric co-ops reduce costs and improve reliability for our members by financing basic maintenance like replacing poles and wires. But it also helps us fund projects to make our systems more modern, efficient, and secure.

RUS depends on a yearly appropriation from the Agriculture Appropriations bill. This year, we are grateful to Senator Heitkamp and Senator Inhofe for leading a bipartisan letter with dozen signatures to appropriators advocating for robust RUS funding. Part of our support comes from the fact that we are such a good investment for the federal government. The President's Budget request for 2017 estimated that the federal government could realize up to \$300 million in net interest and fees from RUS loans. We thank you for your past support of RUS, and ask that you please continue to provide that support.

We also ask that you support policies that allow us to use RUS loans to address a broad set of co-op needs - whether for generation, transmission and distribution of baseload power, integration of renewables, making environmental upgrades to existing generation, or adopting new technologies that make the grid "smarter."

Just as the times have changed and the needs of rural America have changed, so too has the RUS loan program. We have appreciated working with the Committee over the years to help make the program more streamlined and efficient, and we look forward to exploring new ways to continue to improve the program. Modernizing the RUS loan program is good for borrowers and taxpayers. The RUS annually reviews and approves billions of dollars of loans, and finding ways to more efficiently process those loans reduces burdens on taxpayers while meeting borrowers' needs more quickly as well.

In short, the Rural Electrification Act remains an essential tool for basic electrification, deploying modern technologies, creating jobs, improving quality of life, and promoting overall prosperity in rural America. As you work on the Farm Bill, we urge the Committee to oppose harmful amendments to this landmark legislation while making a few important improvements that are designed to enhance service to rural America.

Broadband – A reliable, modern grid depends on robust communications infrastructure just as much as it does on traditional generation and distribution assets. Coweta-Fayette is currently undertaking a feasibility study to determine how we might use broadband to better connect our grid to defend against

cyber-attack, improve efficiency and save our customers money. It is imperative that RUS continue to provide financing for integrating Smart Grid technologies.

Additionally, some electric cooperatives are developing projects to provide residential broadband services to consumers in un-served areas of the country. We encourage the Committee to authorize significant, additional funding for loans and grants, available to all viable providers, to incentivize the further deployment of broadband in rural America. While we are not a silver bullet, we are invested in these communities and want to see them succeed. Whether for electric cooperatives' own business operations or for residential and economically necessary connectivity, communications infrastructure will be critical to that success.

Rural Economic Development Loan and Grant (REDLG) Program – Under the REDLG program, proceeds to the federal government from Rural Utilities Service (RUS) loans are used to finance economic development projects in rural communities. In the last two decades, electric cooperatives around the country have partnered with community stakeholders on hundreds of these projects to construct essential infrastructure, renovate hospitals, build libraries, and expand businesses, among other things. Importantly, no REDLG loan has ever suffered a default. Unfortunately, dedicated funding streams for REDLG have been tapped to pay for other programs and a current funding source will also be lost after 2021.

Since 2009, Georgia co-ops have conducted around \$10 million in REDL&G projects. Included among those projects are the renovation of a hospital and the construction of a new cattle feed operation to support local agribusiness. We believe the REDL&G program is a valuable tool in offsetting population flight and job losses in rural Georgia and around the country. We urge the Committee to work with us to ensure ample funding for REDLG throughout the next Farm Bill and beyond.

Guaranteed Underwriter Program – The Rural Utilities Service (RUS) guarantees some loans made by qualifying third-party lenders. This provides important, additional options for financing the essential work done by electric cooperatives. Coweta-Fayette has used one of those cooperative banks, the National Rural Utilities Cooperative Financing Corporation (CFC), for significant funding to fill a portion of the capital gap between the amount of RUS loans and our actual needs. We urge the Committee to reauthorize the guaranteed underwriter program with some modest streamlining.

Innovation and Energy Efficiency – Because we do not have a profit motive, part of the cooperative advantage is having a unique opportunity to help our consumers use less energy and save money. For years, electric co-ops across the country have provided information and advice to consumers to help them use electricity more efficiently and cost-effectively. The Rural Energy for America Program (REAP) and the Rural Energy Savings Program (RESP) are among the USDA programs that cooperatives use to finance investments in energy efficiency, construct new renewable energy generation sources, and deploy other innovative technologies that modernize the grid and save our members money. We urge

the Committee to reauthorize these programs to ensure that electric co-ops are poised to meet the evolving demands of our member-owners.

Green Power EMC

Coweta-Fayette is a founding member of Green Power EMC, a cooperative of Georgia EMCs that provides power to our member-owners from green sources such as low-impact hydroelectric plants, biomass, landfill gas, and solar. At the end of last year, Green Power EMC projects were generating 272 megawatts of electricity, enough to power more than 200,000 homes in Georgia each year. This summer Green Power EMC committed to adding an additional 200 megawatts to its renewable portfolio by 2020.

SunPower for Schools

SunPower for Schools is an award winning, best in-class solar learning laboratory for students in EMC service areas across the state. Developed in 2005 in partnership with its member EMCs, including Coweta-Fayette, the Sun Power for Schools program provides participating schools with on-site solar panels and the software necessary to study the conversion into electricity of energy produced by the sun. SunPower for Schools is the largest solar education program in Georgia. To date, Green Power EMC has installed grid-tied solar arrays and monitoring equipment at more than 40 middle and high schools within EMC territories across the state.

HomePlus Energy Efficiency Loan

The Rural Energy Savings Program Act included in the last Farm Bill was modeled in part on programs like the Home Plus Energy Efficiency Loan Program at Coweta-Fayette EMC. This is a unique program that allows co-op homeowners to finance energy efficiency upgrades in their homes then pay back those loans on their monthly electric service bills. The energy efficiency gains often offset the monthly loan payments, resulting in net savings for the customer. Also, since the co-op is involved in the entire process, the member has a trusted advisor for energy efficiency upgrades to their home.

Rural Community and Economic Development – The health of our whole country is dependent on a healthy rural America. Rural America grows most of the food, generates much of the power, and manufactures many of the goods that this country consumes. USDA's office of Rural Development operates many different programs that provide fundamental assistance to those rural communities. We urge the Committee to maintain a strong rural development title of the Farm Bill to reaffirm the importance of these programs.

Coweta-Fayette EMC not only believes in maintaining and growing an electric infrastructure that will sustain our growing communities, we also believe in ensuring the needs of the communities and our future members are met. Not only do we participate in school programs that emphasize safety, we also grow leadership skills through our participation in the NRECA Youth Tour program. The information learned here helps develop future community leaders. Several Georgia EMCS participate in Operation

Round Up. At CTEMC, our program donates more than \$250,000 each year to various individuals and organizations. Since CFEMCs Operation Round Up's inception in 1993, the program has funded over \$3.6M to individuals and local charities like Habitat for Humanity and local fire departments who use the funds for lifesaving equipment. The program has also awarded over \$1.1M for educational purposes including scholarships and classroom grants.

Plant Vogtle

While not expressly in the purview of this committee, please allow me to bring to your attention the opportunities and challenges we're facing at Plant Vogtle. Plant Vogtle is large-scale nuclear power plant currently providing power to millions of homes and businesses in Georgia. Oglethorpe Power Corporation, the not-for-profit generation cooperative in Georgia, has a large ownership stake in the plant.

Currently, construction is underway to add two new reactors at Plant Vogtle. However, the unforeseen bankruptcy of the general contractor has put the project in jeopardy. The plant's successful completion is critical for EMCs in Georgia to provide emission free, reliable and affordable energy to rural consumers for the next 60-80 years. Building the plant also protects the United States as a leader in advanced nuclear technology, while China and Russia are steadily increasing nuclear capacity.

Congress can help the situation by modifying current production tax credits (PTCs) established by the Energy Policy Act of 2005 for advanced nuclear power plants. Current law limits the PTC to the first 6,000 MW of new capacity placed in service by 2020. Plant Vogtle Units 3 and 4 are now scheduled to be in service by 2021 and 2022, respectively.

Additionally, current law creates inequities among nuclear project participants, allowing Investor Owned Utilities (IOUs) to utilize tax credits, while co-ops and municipal utilities with significant investments are not able to realize cost savings in the same manner. While the Treasury Department allocates PTCs to all partners on a pro-rata ownership basis, the not-for-profit cooperative and municipal entities cannot utilize the credits because they are exempt from federal income taxes.

Rep. Tom Rice (R-SC) introduced legislation (H.R. 1551) to modify the current Nuclear Production Tax Credit to treat not-for-profit nuclear project co-owners fairly by allowing them to monetize their allocated tax credits to provide an incentive comparable to their for-profit partners. It also removes the 2020 placed-in-service date, while maintaining the limit on the use of the PTC to the first 6,000 MW of new advanced nuclear generation.

H.R. 1551 will substantially reduce the cost of nuclear energy for the rural rate payers of electric cooperatives. I urge the Senate to take up and pass H.R. 1551 so the state of Georgia can finish the only advanced nuclear reactors being built in the United States.

Conclusion

I can't conclude without a word about Hurricane Irma. With some sources reporting an estimated 16 million people without power, this may have been the single largest number of outages caused by a weather event in U.S. history. It certainly was the highest volume and most geographically widespread electrical outage caused by a single weather event in Georgia history. At the height of the storm Georgia EMCs reported approximately 550,000 outages. Two thousand poles were damaged and thousands of trees downed. And some of our EMCs reported damage to 90% of their service territories.

Hurricane Irma was a historic storm that required a historic response. I'm so grateful and proud for the aid from many of the states that you represent. More than 4500 linemen participated in the restoration effort, with more than 1500 linemen and right of way personnel travelling to assist from 18 other states as far north as Pennsylvania and as far west as Texas and Oklahoma. As a result, 99% of EMC outages were restored within 5 days of the outage peak and full restoration was complete within 7 days. I think the quality of this response is a testament to the power of the cooperative spirit and some of the best evidence (at the worst of times) of how vital electric cooperatives are to the communities they serve.

We are a healthy nation because we have vibrant, bustling urban cities AND because we have verdant, productive rural areas. Unfortunately, whether it's infrastructure or jobs or access to health care, it seems that too often rural America gets the short end of the stick. The Farm Bill is important legislation that helps to address some of those disparities.

Electric Cooperatives enjoy a productive partnership with the federal government and with the communities we serve to promote the health of rural America. We look forward to continuing to work with you toward that important goal. I'm happy to answer any of your questions.