Jim Matheson
Chief Executive Officer

July 15, 2025

The Honorable Scott Bessent
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Secretary Bessent,

On behalf of the nearly 900 not-for-profit electric cooperative members of the National Rural Electric Cooperative Association (NRECA), I want to encourage Treasury to maintain the current "beginning of construction" rules applicable to the 48E and 45Y energy generation incentive tax credits when implementing the historic One Big Beautiful Bill signed into law by President Trump. America's electric cooperatives share President Trump's vision for Unleashing American Energy and these tax credits play a pivotal role in enabling America's electric cooperatives to add generation to their power supply portfolios at the scale and pace required to meet today's skyrocketing electricity demand.

NRECA is the national trade association representing nearly 900 not-for-profit electric cooperatives and other rural electric utilities. NRECA's member cooperatives include 64 generation and transmission cooperatives and 830 distribution cooperatives.[1]

Locally, cooperatives are focused on powering and empowering their communities. Nationally, electric cooperatives are focused on advocating for smart energy policy that keeps the lights on. This includes pressing for solutions to meet increasing energy demands at a cost that local families and businesses can afford.

Electric cooperatives provide power to one in eight Americans and serve as engines of economic development for 42 million people across 56% of the nation's landscape.[2] Unlike the rest of the electric sector, cooperatives sell most of their power – 52% – to households.[3] They also own and maintain 2.7 million miles, or 42%, of the nation's electric distribution lines and serve large expanses of the United States that are primarily residential and typically sparsely populated.[4] Those characteristics make it comparatively more expensive for rural electric cooperatives to operate than the rest of the electric sector, which tends to serve more compact, industrialized, and densely populated areas.

As our nation increasingly relies on electricity to power the economy, keeping the lights on has never been more important – or more challenging. In its most recent Long-Term Reliability Assessment, the North American Electric Reliability Corporation ("NERC"), the nation's electric grid watchdog, found that "most of the North American bulk power system faces resource adequacy challenges over the next

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[1] NRECA. *Electric Co-op Facts and Figures.* June 25, 2025. p. 1. Available at: https://www.electric.coop/electric-cooperative-fact-sheet. (NRECA Co-op Facts and Figures)
[2] NRECA Co-op Facts and Figures at 1.
[3] *Id*. at 4.
[4] NRECA. *America's Cooperative Electric Utilities*. p. 2. February 2025. Available at: https://www.cooperative.com/programs-services/bts/Documents/Data/Electric-Co-op-Fact-Sheet.pdf.

ten years as surging demand growth continues and thermal generators announce plans for retirement."[5] Cooperatives are leading the way with locally led solutions that ensure energy reliability, embrace responsibility, and empower consumers with next-generation technologies. And with the growth of data centers in rural areas, they are balancing the need to meet increasing energy demand while ensuring that they keep the lights on at a cost their members can afford.

Part of this long-term strategy is deploying a mix of power generation across all available sources. From state-of-the-art power plants and transmission lines to long-duration battery storage and microgrids, to carbon capture systems, to providing gigabit rural broadband, electric cooperatives are delivering more reliable services to their consumers, making our electric grid more resilient, and paving new pathways to prosperity for their communities.

Meeting America's energy needs requires cooperatives to plan their investments years before the generating assets are connected to the grid. And it is particularly important to America's electric cooperatives to make smart investments. Unlike investor-owned utilities, electric cooperatives do not have equity shareholders who can bear the costs of stranded generation assets or investment in new or alternative generation resources. Additionally, electric cooperatives do not operate to achieve a specific rate of return on equity as do investor-owned utilities because cooperatives operate on a not-for-profit basis. For that reason, all costs are passed through directly to their consumer-members that already spend more of their limited incomes on electricity. Consequently, electric cooperatives must ultimately pass along capital and financing costs directly to their consumer-members through increased electric rates.

Treasury Should Maintain "Beginning of Construction" Rules and Associated Safe Harbors

Now that America's electric cooperatives have access to tax credits through elective pay[6], NRECA members are busy constructing and planning a variety of generation projects through the available investment and production tax credits where it makes most sense for them. The tax credits help to make projects possible for electric cooperatives that would otherwise not pencil out or would result in steep rate hikes for their consumer-members.

But the tax credits will be rendered meaningless without certainty. I urge Treasury to maintain the current "beginning of construction" rules and associated safe harbors as it implements the directives included in OBBB.[7] These already-established safe harbors are critical to mitigating the inevitable risk that comes with building any energy infrastructure – from permitting delays to supply chain challenges to severe weather – all of which can impact construction schedules. Several cooperative projects are well underway, having made investment decisions based on these well-understood rules and safe harbors. Changing the rules now would significantly alter the financing structures for these long-planned projects and likely result in cooperatives abandoning the projects or incurring more debt to cover the increased costs – which must ultimately be passed on to their consumer-members.

At a time when the grid needs every megawatt possible, these tax credits provide a critical tool to America's electric cooperatives as they strive to add energy to the grid and support President Trump's

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[5] North American Electric Reliability Corporation. *2024 Long-Term Reliability Assessment*. December 2024. p. 6. https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_Long%20Term%20Reliability%20Assessment_2024.pdf.

[6] Department of the Treasury and Internal Revenue Service. *Elective Payment of Applicable Credits*. March 11, 2024. Available at: https://www.federalregister.gov/documents/2024/03/11/2024-04604/elective-payment-of-applicable-credits-elective-payment-of-advanced-manufacturing-investment-credit

[7] One Big Beautiful Bill Act, Pub. L. No. 119-21. (2025). https://www.congress.gov/bill/119th-congress/house-bill/1/text

vision for Unleashing American Energy. Thank you for your consideration of the unique nature of America's electric cooperatives as Treasury implements the changes included in the OBBB.

Please do not hesitate to contact me or have your staff contact Ashley Slater, Vice President, Regulatory Affairs at (703) 907-5825 or ashley.slater@nreca.coop for additional information.

Sincerely,

Jim Matheson
CEO, NRECA