NRECA
America's Electric Cooperatives

Jim Matheson
Chief Executive Officer

August 23, 2021

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
H-222 Capitol Building
Washington, DC 20515

The Honorable Kevin McCarthy
Minority Leader
United States House of Representatives
H-204 Capitol Building
Washington, DC 20515

The Honorable Charles Schumer
Majority Leader
United States Senate
S-221 Capitol Building
Washington, D.C. 20510

The Honorable Mitch McConnell
Minority Leader
United States Senate
S-230 Capitol Building
Washington, DC 20510

Dear Speaker Pelosi, Minority Leader McCarthy, Majority Leader Schumer, and Minority Leader McConnell,

America's not-for-profit electric cooperatives deliver electricity to the most rural parts and economically vulnerable consumers in America. As you consider legislation to incentivize the nation's transition to a lower-carbon energy future, it is imperative that Congress preserves access to reliable and affordable electricity for the 42 million electric cooperative members. NRECA and its members in 48 states will evaluate any proposed legislation based on the inclusion of the following co-op priorities.

- **The Flexible Financing for Rural America Act**, a bill with broad bipartisan House and Senate support, is a common-sense solution that will allow electric cooperatives to refinance USDA debt without prepayment penalties, like most other American businesses. More than 500 electric co-ops hold outstanding debt with USDA's Rural Utilities Service and could realize $10 billion in savings from repricing RUS loans at current market rates. To do so, Congress must enact legislation to allow this change in the loan program. In the cooperative business structure, those savings would flow directly back into the communities we serve in the form of new infrastructure investments and lower electricity rates.

- **Provide direct-pay tax incentives for developing wind, solar, energy storage, carbon capture and sequestration, and nuclear energy.** As not-for-profit businesses, electric co-ops have been unable to use energy tax incentives that are available to investor-owned utilities. This significant disadvantage has, for many years, hindered co-ops' ability to deploy new technologies. Changes to tax policy that would provide direct tax incentives to co-ops and municipal utilities would incent greater participation in innovative energy technology.

- **Electric cooperatives support a voluntary financial incentive program as summarized in the Biden administration's budget proposal, to assist in the transition to lower carbon technologies.** Electric cooperatives have outlined a voluntary program that allows each cooperative to determine its path forward based on factors such as the needs and desires of its consumer-members, the availability of energy resources and technology, infrastructure investments, state policies and timelines that safeguard affordability, and reliability of the electric system for co-op members. This program—funded at a minimum of $30 billion for grants and loans—would provide financial incentives for carbon-reducing measures such as deployment of low-carbon electricity sources, debt relief for premature closure of fossil fuel generation, and community-based energy efficiency programs.

- **Inclusion of a clean energy standard in the reconciliation package could jeopardize co-ops' ability to provide reliable and affordable electricity.** Electric co-ops have substantially lowered carbon emissions since 2005 and are driving innovation in areas such as solar; advanced metering; battery storage; microgrids; carbon capture, use and storage (CCUS); and beneficial electrification. The costs to serve rural America are significantly higher than other electric utilities and a CES could create a disproportionate burden on millions of low- and moderate-income families and small businesses.

Each of the nearly 900 electric co-ops have a unique set of circumstances based on its consumer-member makeup and other factors. While the share of fossil fuel generation is expected to continue to decline, it will remain a necessary source of reliable, affordable electricity due to the intermittency of renewable power generation resources and limitations of long-term energy storage options. Considering these factors, any energy and climate policies that Congress considers must:

- include realistic, reasonable, and achievable timelines,
- ensure an affordable, reliable electricity supply for consumers,
- incentivize investment in needed infrastructure improvements, including the sustained development of energy technology,
- mitigate the financial impact of stranded assets, and
- limit the economic impact on our most vulnerable communities.

America's electric cooperatives are focused on a reasonable approach to climate policy and energy supply that prioritizes the reliable, affordable, and responsible delivery of electricity to every community. As you consider legislation to promote clean energy development, adherence to these priorities will allow electric cooperatives to continue to meet the needs of the communities we serve.

Sincerely,

Jim Matheson
Chief Executive Officer