



## 2008 Farm Bill Electric Programs Provisions

Title VI Rural Development, Subtitle B modifies and adds new authority for the Electric Programs under the Rural Electrification Act of 1936 (7 USC 901) (RE Act).

### **Section 6101: Energy Efficiency Programs**

Amends sections 2 and 4 of the RE Act to explicitly authorize loans to electric borrowers to implement energy efficiency programs, codifying long-standing USDA policy.

### **Section 6102: Reinstatement of Rural Utilities Service Direct Lending**

Amends section 4 of the RE Act deleting language that requires the Federal Financing Bank (FFB) to make loans to electric borrowers under the guaranteed loan program and reinstates direct lending authority for hardship loans and other direct loans. Interest for section 4 direct hardship loans is set at the rate for municipal rate loans, which can be less than the statutory rate of 5 percent for hardship loans under section 305. The interest rate for other direct loans is set at the current cost of money to the Government for loans of similar maturity, plus 1/8 of 1 percent. Funding levels will be set by appropriations. Loans under these provisions can be made for financing the construction and operation of electric generation, transmission, and distribution lines or systems serving rural areas. FFB loans are still being made while regulations and policies are established for the new direct loan programs.

### **Section 6103: Deferment of Payments to Allow Loans for Improved Energy Efficiency and Demand Reduction and for Energy Efficiency and Use Audits**

Amends section 12 to add a new mandatory provision that allows electric borrowers to defer principal and interest payments on existing direct loans for up to 60 months to make loans to residential, commercial, and industrial customers for energy audits and installation of energy efficiency and/or demand reduction measures and devices.

### **Section 6104: Rural Electrification Assistance**

Amends the section 13 definition of a "rural area" for purposes electric loans eligibility as any area that excludes a city or town of 20,000 or more, or is an area within the service area of a borrower with an outstanding loan made under titles I through V of the RE Act. This expands eligibility of rural areas for electric loans from the prior limit to non-urbanized places of less than 2500 and codifies the "once rural, always rural" policy under the RE Act.

### **Section 6105: Substantially Underserved Trust Areas**

Amends the RE Act to add a new authority under programs administered by the Rural Utilities Service that allows the Secretary to provide loans and grants to facilitate the construction, acquisition, or improvement of infrastructure projects in these eligible areas. The Secretary is authorized to make loans at lower interest rates, and to waive certain other statutory or regulatory requirements for matching funds and "non-duplication of service." "Substantially underserved trust areas" are defined as Native American trust lands where more than 20% of population does not have electric, telecommunications, broadband, or water service.. The referenced definition of trust lands in 38 U.S.C. § 3765 includes reservation lands, restricted Indian allotments or other lands held in trust, Hawaiian homelands, Alaska Native regional or village corporation lands, and Pacific Ocean insular area lands traditionally held in communal ownership. The Secretary is to report annually on these efforts.

### **Section 6106: Guarantees for Bonds and Notes Issued for Electrification or Telephone Purposes**

Amends section 313A of the RE Act to extend to 2012 the authority to guarantee bonds and notes issued by non-profit cooperative lenders for eligible electrification or telephone purposes. Replaces a formula cap on the amount of bonds or notes that can be guaranteed with an annual authorization of \$1 billion.

**Section 6108: Electric Loans for Renewable Energy**

Adds a new section 317 to the RE Act which authorizes the RUS to make loans for Secretary may make electric loans under this title for electric generation from renewable energy resources for resale to rural and nonrural residents. Eligible renewable energy resources include energy conversion systems fueled from solar, wind, hydropower, biomass, or geothermal sources. The interest rate for these loans is set at the average tax-exempt municipal bond rate of similar maturities. This program is in addition to existing authority to make loans for renewable energy systems under in the RE Act. Program regulations are in development. Funding is dependent on appropriations.

**Section 6109: Bonding Requirements**

Amends the RE Act by adding new section 318 that directs the Secretary to review bonding requirements for all programs administered by the Rural Utilities Service under the RE Act to determine that bonds are not required if Federal Interests are adequately protected by product warrantees, or if the costs of conditions required under a bond do not exceed its benefits.

**Section 6113: Study on Rural Electric Power Generation**

Directs the Secretary to study and report to Congress on electric power generation needs for rural areas. The report examines generation in rural areas, rural electric cooperatives' issues, availability of financing for capacity, impact of electricity costs on consumers and local economic development, and the ability of technology to meet regulatory requirements, such as carbon capture and sequestration. The report was published in July 2008 and is available on the USDA RD Farm Bill website.

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