



## DEPARTMENT OF AGRICULTURE

### Rural Utilities Service

[Docket #: RUS-24-Electric-0003]

### Consumer Oriented Operating Loans

**AGENCY:** Rural Utilities Service, USDA.

**ACTION:** Notice.

**SUMMARY:** The Rural Utilities Service (RUS or Agency), a Rural Development agency of the United States Department of Agriculture, is issuing this notice to announce it will be utilizing its long-standing statutory authority to consider operating loans under an initiative known as Consumer Oriented Operating Loans (COOL). COOL funding may be approved at the discretion of the RUS Administrator to finance operations for current system borrowers to meet financing needs where the borrower faces hardship circumstances involving unique, transitory, or exigent conditions. To qualify for COOL financing borrowers will commit to create environmental benefits to end users/consumers and invest in additional new carbon pollution-free electricity and/or energy efficiency measures. RUS estimates \$50 million will be available for this program in fiscal year 2024.

**DATES:** This notice is applicable [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER] and will continue until further notice.

**FOR FURTHER INFORMATION CONTACT:** Christopher McLean, Assistant Administrator, Electric Program, Rural Utilities Service, Rural Development, United States Department of Agriculture, 1400 Independence Avenue, SW, STOP 1568, Washington DC 20250-1560; telephone: 202-690-4492. Email to: [christopher.mclean@usda.gov](mailto:christopher.mclean@usda.gov).

### SUPPLEMENTARY INFORMATION:

**Authority:** Section 4 (7 U.S.C. 904) of title I of the Rural Electrification Act of 1936, as amended, gives RUS the authority to make loans “for the purpose of financing the construction

and operation” of electric infrastructure furnishing and improving electric service to persons in rural areas.

**Definitions:** For the purposes of this notice:

*Carbon pollution-free electricity* means electrical energy produced from resources that generate no carbon emissions, including marine energy, solar, wind, hydrokinetic (including tidal, wave, current, and thermal), geothermal, hydroelectric, nuclear, renewably sourced hydrogen, and electrical energy generation from fossil resources to the extent there is active capture and storage of carbon dioxide emissions that meets EPA requirements;

<https://www.federalregister.gov/documents/2021/12/13/2021-27114/catalyzing-clean-energy-industries-and-jobs-through-federal-sustainability>.

*Energy Efficiency Measure* means any capital investment that reduces energy costs in an amount sufficient to recover the total cost of purchasing and installing such measure over an appropriate period of time and maintains or reduces non-renewable energy consumption.

*Clean Energy Enabling Measures* shall mean measures (such as adopting new technologies and/or making investments) that enable carbon pollution-free electricity as defined in this notice.

**Purpose:** To provide funding, at the discretion of the RUS Administrator, to current system borrowers to meet financing needs in hardship circumstances involving unique, transitory, or exigent conditions, such as, but not limited to, power or material cost spikes; liquidity needs due to weather events, supply chain interruptions, man-made or natural disasters or circumstances where end users/consumers could experience excessive rate impacts. Additionally, these loans will require borrowers to create environmental benefits through investments in additional new carbon pollution-free electricity, energy efficiency measures, and/or clean energy enabling measures.

**Terms:** COOL financing recipients will be required to commit that the loan funds will be used to benefit the end users/consumers. In addition, the recipients will also be required to make an investment in carbon pollution-free electricity, energy efficiency measures, and clean energy

enabling measures acceptable to the Administrator. Such investment must be after the date of the loan commitment letter and prior to two (2) years from the date of the first COOL advance, or other contract covenant deadline approved by the RUS Administrator given the unique circumstances of the Borrower. The investment must be in an amount equal to at least 10 percent of the COOL financing, be additional new carbon pollution-free electricity and/or energy efficiency measures and result in quantifiable, greenhouse gas emissions reductions as evidenced in documentation submitted to the Agency in form and substance acceptable to the RUS Administrator. In all other respects, COOL financing will be subject to the same eligibility, underwriting, loan security and repayment criteria as the core RUS electric infrastructure loan program.

COOL financing will only be made available if the Administrator determines that the loan is feasible and sufficient collateral exists to provide the RUS with adequate security pursuant to a first-priority lien or shared first-priority lien on system assets to ensure full repayment of RUS debt. COOL loans will generally follow the RUS regulations, bulletins and standard policies and procedures for the type of funding (i.e., direct or guaranteed) approved for the COOL loan and will be at terms not to exceed 20 years.

The Electric Program will update existing regulations and bulletins and promulgate new regulations as necessary to implement this new COOL loan policy.

**Background:** Historically the RUS has prioritized infrastructure construction and sparingly utilized its authority to finance operations and has only approved loans funding operations where a borrower faced a unique hardship affecting the borrower's liquidity or consumer rates. The COVID pandemic and severe weather events are recent examples of such events.

The RUS, on a trial basis, approved COOL financing to several generation and transmission system borrowers and distribution system borrowers who sought operating loans to address hardship circumstances. Under the previously approved COOL financing, the Agency made operating loans whereas a condition of receiving the COOL financing, the borrowers committed

that the COOL financing would benefit the end users/consumers and the borrowers also committed that an amount equal to 10 percent of the principal amount of the COOL financing would be invested in new energy efficiency measures or carbon pollution-free electricity technologies. Based on its experience with COOL financing with these trial cases and the application of the agency's rigorous underwriting standards, the agency is announcing that COOL financing is available to current RUS borrowers that encounter the hardship circumstances described in this notice.

Upon publication of this notice in the *Federal Register* and until further notice, the RUS will, in hardship situations, consider new requests for COOL financing in addition to its existing authorities and programs. Infrastructure financing will continue to be the RUS Electric Program's highest priority and COOL financing will only be made available in hardship cases when funds are available and there is no negative impact on RUS ability to meet the infrastructure financing needs in the core RUS Electric Program.

**Michele Brooks,**  
*Acting Administrator,*  
*Rural Utilities Service.*

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