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"Hearing from the Heartland: Perspectives on the 2018 Farm Bill from Kansas."
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Thank you, Chairman Roberts and Ranking Member Stabenow, for inviting me to testify. My name is Kathy O'Brien. I am the General Manager of Nemaha-Marshall Electric Cooperative in Axtell, Kansas. I am here representing my own co-op, the Kansas Electric Cooperative Association, and the National Rural Electric Cooperative Association.

Nemaha-Marshall Electric Cooperative delivers electricity to around 3500 homes, farms, and businesses in northeast Kansas. Nemaha-Marshall was incorporated in 1938 by rural residents to serve rural consumers in all of Nemaha and Marshall Counties and parts of Washington, Pottawatomie, and Jackson counties. Our co-op builds and maintains over 1500 miles of electric distribution line.

While our first business priority is to deliver reliable, affordable electricity to our members, our purpose is much greater than that. We exist to benefit the communities we serve. We are more than just a poles, wires, and electrons company. Our broader purpose is to provide the power that empowers our communities to thrive. We are much more than just small electric utilities - we are the engines that drive economic opportunity across the heartland and rural areas everywhere.

We've been keeping the lights on in rural America for almost 80 years, and that's as important a job today as it ever has been. Some parts of Kansas have actually become less densely populated since then. In fact, Nemaha-Marshall's service territory still averages only about two houses per mile. The cooperative business model is uniquely suited to meet the needs of these consumers.

Rural areas still grow most of the food, generate most of the power, and manufacture most of the goods that this country consumes. When rural areas suffer, electric cooperatives suffer and, more importantly, the country as a whole suffers. That's why the Farm Bill is *essential* for co-ops, for Kansas, and for the country. The Farm Bill contains important rural development tools that support our efforts to strengthen our communities. I want to talk about just a few.

Rural Utilities Service (RUS)

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 it themselves. In 1936, the Rural Electrification Act formalized the partnership that allowed electric cooperatives to access affordable credit from the federal government to finance that infrastructure. 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 provide power, deliver clean water, and other necessities. It's 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. It might be hard to believe, but as recently as ten years ago at Nemaha-Marshall, many of our member-customers read their own meters and figured their own bill using a rate chart. Today, thanks to RUS, we read our meters remotely, which is much more accurate, efficient, and cost effective.

RUS depends on a yearly appropriation from the Agriculture Appropriations bill. We have historically enjoyed strong support for robust funding for RUS, in large part because we're such a good investment for the federal government. The President's Budget request for 2017 estimates that the federal government could earn up to \$300 million in net revenue from RUS loans. We ask that you help us maintain 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 renewable generation, baseload generation, or for making environmental upgrades to existing generation. 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 both borrowers (electric co-ops) 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.

Guaranteed Underwriter Program

Another important financing option available to electric cooperatives is loans from cooperative banks. Co-op banks add healthy competition to the marketplace. The Farm Bill contains a provision that allows those loans to be guaranteed by RUS for cooperative business purposes. We encourage you to continue that policy.

In addition to investing in the electric cooperative network, the fees paid on Guaranteed Underwriter Loans can be used to fund Rural Economic Development Loans and Grants – known as the REDL&G program.

Rural Economic Development Loans and Grants (REDL&G)

Under the REDL&G program, USDA provides zero-interest loans to utilities (including electric co-ops), which, in turn, pass the funds through to local businesses and other groups that create jobs in rural areas. This positive cycle of business development can strengthen both the co-op and the local communities by helping stabilize populations and the co-op's customer base.

During the last ten years, 81 REDL&G projects totaling \$49 million were responsible for 2100 jobs in rural Kansas. Included among those projects are grocery stores, health care facilities, libraries, and new fire trucks just to name a few. We believe that the program is a valuable tool in offsetting population flight and job losses in rural Kansas.

Five years ago when I was here, I gave an example of how the REDL&G program works in my hometown of Seneca, Kansas. Back then, I described how a local employer, Koch and Company, a cabinet and door manufacturer, received a \$450,000 REDL&G loan in 2004 for a cabinet plant expansion. The project created 55 new jobs and retained 185 jobs at that time. Since then, Koch has continued to expand and in 2016 had annual revenue of \$85 million. That's up from \$40 million when I was before the Committee back in 2011. They now employ 650 employees in multiple states, more than doubling during the last five years. That is an excellent return on investment.

Energy Efficiency

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 wide range of assistance includes rebates for energy-efficient appliances, switching to more energy efficient light bulbs, and time of day rates to encourage off-peak usage. Here in Kansas, Midwest Energy has pioneered an innovative partnership with its members to allow "on bill" financing of energy efficient improvements made to a customer's home. They call it the HomeSmart Program. In short, Midwest helps the consumer finance these improvements who then pays back that loan every month through their bill. Even with the loan payment, consumers' bills tend to go down because of the energy savings associated with these improvements.

The Rural Energy Savings Program Act included in the last Farm Bill was modeled in part on the Kansas HomeSmart program. We encourage you to maintain the Rural Energy Savings Program, the Energy Efficiency and Conservation Loan Program, and the Rural Energy for America Program. We believe these are all important tools that can help replicate Kansas's successes around the country.

Regulations

The federal government should have a reasonable regulatory philosophy that recognizes the stewardship that stakeholders like electric cooperatives have taken in the communities we serve.

For example, NRECA has concerns with the Waters of the U.S. rule issued by the EPA and the Army Corps of Engineers. Electric cooperatives conduct several activities associated with providing electric service which require Clean Water Act permits. We believe this rule could drastically broaden the types of work that trigger the need to get a permit, possibly including routine repair and replacement of poles and wires. That would result in increased costs and decreased reliability for our customers. We urge the EPA and the Corps to engage in a meaningful dialogue with all stakeholders to craft a new rule that takes into account the concerns of those who provide essential services to rural communities.

NRECA also recently filed comments with the U.S. Fish and Wildlife service opposing the listing of the Lesser Prairie Chicken under the Endangered Species Act. We believe that our work with state wildlife agencies to enact voluntary conservation measures is paying big dividends. We've helped manage more than ten million acres in five states which has helped the Lesser Prairie Chicken population to stabilize, without having to resort to a more burdensome bureaucratic approach.

Broadband

Just as with other types of infrastructure, rural America can't be competitive without access to high speed broadband service. Many comparisons are drawn between the lack access to robust broadband service today and the need for electrification in rural areas 80 years ago - with the urban areas of the country well-served, and rural areas being left behind. Some electric co-ops around the country are leading the way in connecting rural customers to high speed broadband. As Congress contemplates telecommunication and infrastructure policies in the farm bill and in other legislative packages, we believe that all potential providers including electric cooperatives should be eligible for programs designed to bridge the digital divide.

Conclusion

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.