

Rural Cooperatives & the New ERA Program

Midwestern Governors Association

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Sierra Club

Nation's largest grassroots environmental organization

- 62 chapters across all 50 states
- 3.2 million members and supporters

Driving change towards equitable & just clean energy transformation in utility sector

This presentation does not represent the views of any federal organization





42

Million customers

900

Cooperatives

63

Generation and
Transmission
Companies

**Rural Electric
Cooperatives**

Coops Uniquely Exposed to Fossil Debt

\$44

billion in outstanding debt financed by US Department of Agriculture, Rural Utilities Service (2019).

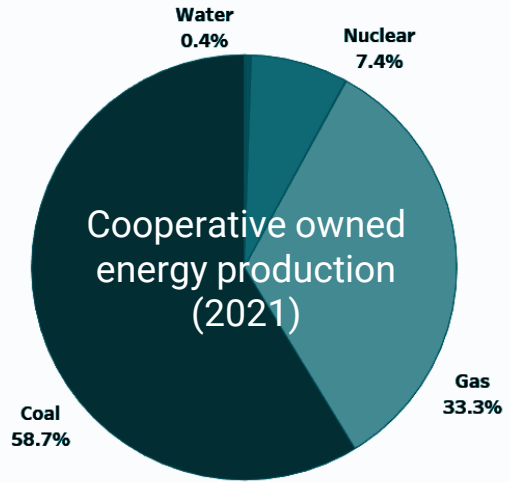
58%

of owned generation is coal, and 92% of owned generation is fossil.

\$15

billion in debt is likely associated with remaining plant balance at existing coal-fired power plants.

- Lack of historical incentives
- Financial structures that do not reward innovation



New ERA Program

Empowering Rural America

\$9.7 billion in IRA Section 22004

Broad financial assistance

- Loans, refinancing
- Forgivable loans
- **Grants** (up to \$970 million, 3:1 match requirement)

Clean energy focused

- **Purchase of renewable energy systems**
- Zero emissions systems and carbon capture
- Improve efficiency of generation or transmission

Outcome oriented

- **Achieve greatest emissions reductions**
- Long-term resilience, reliability, and affordability

Near Term

- **Funds must be dispersed by September 30, 2031**

New ERA Program

Empowering Rural America

USDA provided broad authority

Broad financial assistance

- USDA has made it clear that it will be offering both **grants and very low cost loans**
- *Authorization is not under Rural Electrification Act, and would not bind FERC-regulated cooperatives*

Grants and loans **stack** with direct pay tax credits! **50-75%** of clean energy paid by federal incentive

Clean energy focused

- **USDA appears to be looking at a very broad definition for 'systems'**. Includes storage & transmission, possibly electrification and demand management
- USDA looking at very low cost loans to help cover **stranded assets**
- Agency is focused on **demonstrated technologies**

Outcome oriented

- USDA interprets "greatest emissions reduction" as mandating a **competitive application** process. Utilities able to demonstrate bigger emissions cuts have a better shot at grants

Near Term

- Need to rapidly spin up program will **front-load** competition for clean energy, to be started **this spring**

USDA says "think as big as possible"

Transforming Rural America

Leverages \$40 Billion Towards Rural Clean Energy Development

Grants dramatically increase borrowing potential

Cooperatives are generally **equity-limited**

Grants open up the potential to borrow, and invest in **steel for fuel**

Operational savings then open up further equity opportunities

Low-cost loans reduce stranded asset burden

Cooperatives retain extraordinarily high balances on remaining fossil assets, tying up debt

Reducing the cost of debt for **stranded assets** leaves more money available for clean energy investment

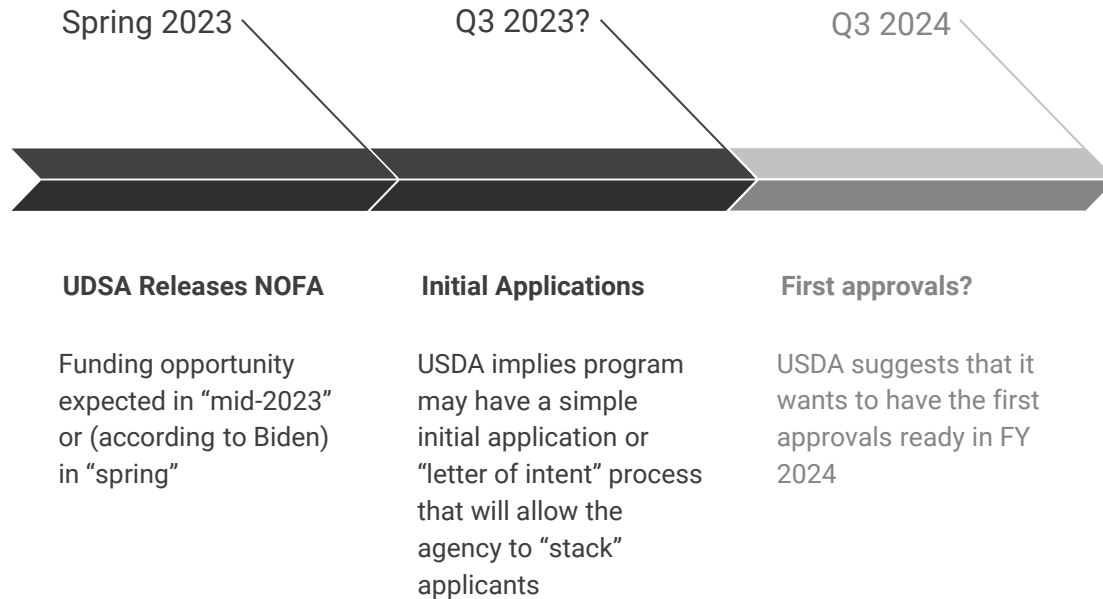
Cooperatives own the transition

Today, almost all rural clean energy is either exported to investor-owned utilities, or sold to coops via PPA

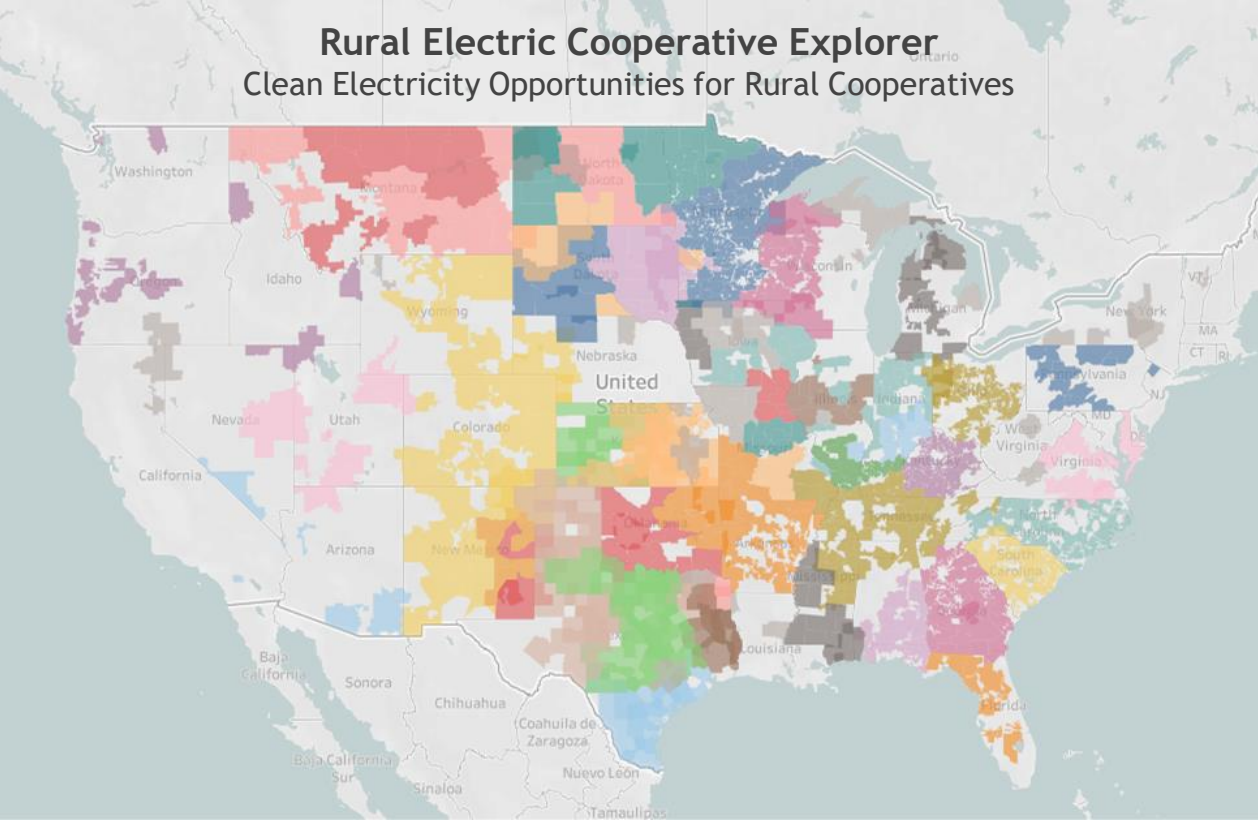
New ERA allows rural customers to benefit from the transition and reduce costs, while providing **local clean energy development**

What's Next?

New ERA is coming fast



Rural Cooperative Explorer



Rural Cooperative Explorer



tabsoft.co/3mMaPKa

Rural Cooperatives and the IRA



<https://bit.ly/3mRQNY5>

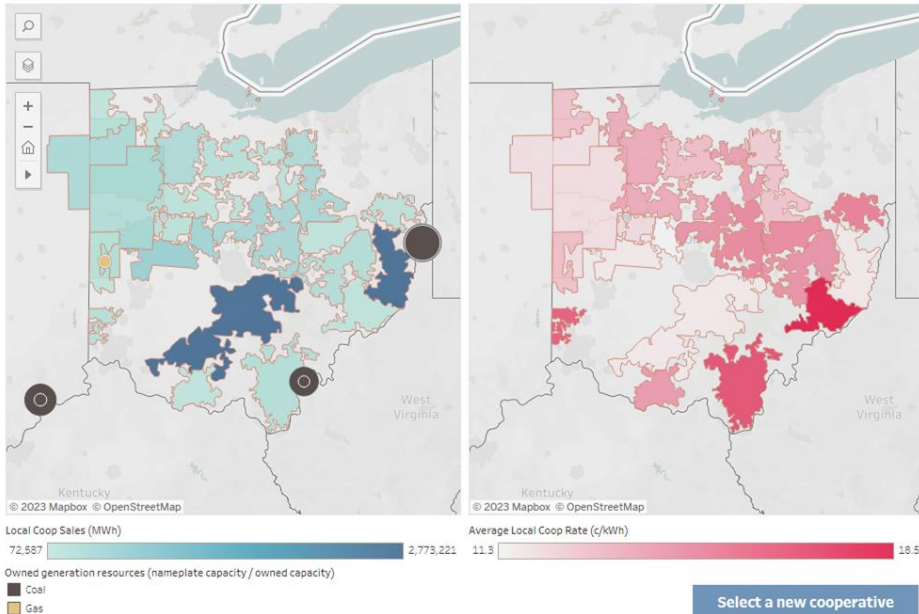
Rural Cooperative Explorer

Buckeye Power, Inc.

Buckeye Power, Inc. serves 24 local distribution cooperatives, which serve anywhere from 4,434 customers (72,587 MWh) to 123,488 customers (2,773,221 MWh), as shown in the map on the left.

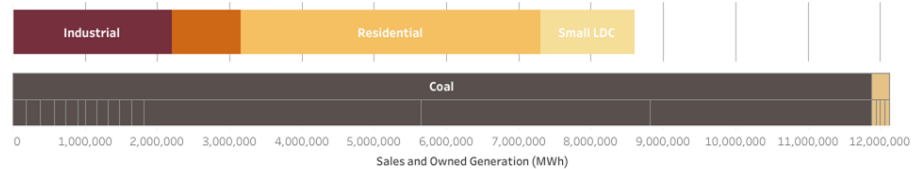
Average rates for all customers range from 11.3 to 18.5 cents/kWh, as shown in the map on the right.

Residential customers in Consolidated Electric Coop Inc pay an average of 15.4 cents/kWh.



Buckeye Power, Inc.

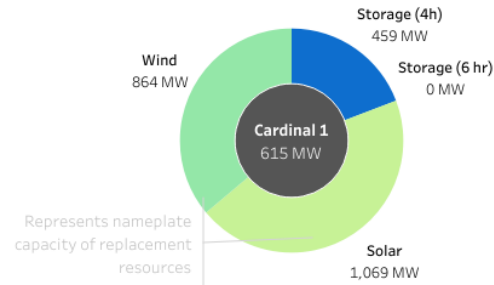
Buckeye Power, Inc. serves approximately 402,380 customers, consuming 8,601,445 MWh in 2021. Its largest customer segment in 2021 were residential customers. It owns 2,547 MW of capacity, and in 2021 served 12,121,155 MWh of generation.



Buckeye Power, Inc. owns 14 coal-fired units, with 2310.7 MW of capacity.

Clean Energy Portfolio replacement for Cardinal 1

Inner circle represents nameplate capacity of coal unit; outer circle represents nameplate capacity of replacement



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