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Introduction

Chairman Johnson, Ranking Member Davis, and members of the Subcommittee, thank you for the opportunity to testify today regarding the partnership between rural stakeholders and the U.S. Department of Agriculture's (USDA) Rural Development mission area. My name is Mike McWaters, and I serve as Chief Executive Officer of Suwannee Valley Electric Cooperative (SVEC), a member-owned, not-for-profit electric cooperative headquartered in Live Oak, Florida. For nearly nine decades, our cooperative has provided safe, affordable, and reliable electric service to the rural communities of Columbia, Hamilton, Lafayette, and Suwannee Counties, serving over 30,000 consumer-members across more than 2,100 square miles of North Florida.

The relationship between rural electric cooperatives and USDA Rural Development has been one of the most successful public-private partnerships in American history. Just as federal support helped electrify rural America in the twentieth century, USDA programs continue to help rural communities meet twenty-first century challenges. Through the Rural Utilities Service (RUS) Electric Loan Program (ELP), cooperatives like SVEC partner with USDA to obtain low-cost financing to build and maintain electric infrastructure. Access to reliable broadband service has historically been a challenge; however, programs offered by USDA have helped SVEC's wholly owned broadband subsidiary, Rapid Fiber Internet, expand access across the cooperative's electric footprint. In our service territory, access to reliable electricity and modern broadband infrastructure are no longer conveniences, they are essential - and due to SVEC's partnership with RUS they are available to our consumer-members.

My testimony today will highlight how the partnership between USDA Rural Development and electric cooperatives like SVEC strengthens rural economies and improves quality of life in rural communities. For electric cooperatives, USDA Rural Development remains an indispensable partner in helping communities like ours build a stronger and more prosperous future.

RUS Electric Programs

Like other electric cooperatives across the country, SVEC was created out of the belief that rural Americans deserve access to the infrastructure necessary to participate fully in the nation's economy and quality of life. After the passage of the Rural Electrification Act in 1936, rural residents came together to establish their own cooperatives and bring electricity to communities that otherwise would have been left behind. Today, that mission remains unchanged. As a

consumer-owned cooperative, we are accountable to the people we serve, and we continue to invest in infrastructure that supports economic opportunity and community development throughout rural North Florida.

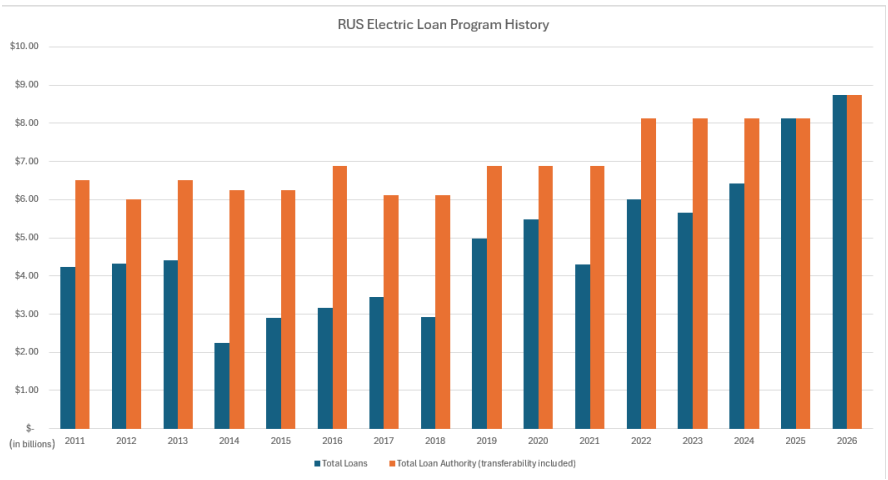
Electric Loan Program (ELP)

The ELP traces its roots back to the 1930s with the creation of the Rural Electrification Administration. Since then, the program has evolved into one of the federal government's most successful infrastructure partnerships, providing low-cost financing to rural electric cooperatives for the construction, modernization, and maintenance of electric distribution, transmission, and generation systems. By providing low-cost access to capital, the program enables electric cooperatives such as SVEC to meet growing energy demands while keeping rates affordable for the consumer-members they serve. Importantly, electric cooperatives fully repay these loans with interest, generating over $100 million annually in revenue for the federal government.

In recent years, the infrastructure needs facing SVEC and other rural electric cooperatives have grown substantially. Rural communities are seeing increased demand for electricity from population growth, manufacturing onshoring, overall load growth, and broad electrification across the economy. At the same time, cooperatives must replace aging infrastructure, harden systems against severe storms, and modernize our systems to improve reliability and operational efficiency. Electric co-ops were formed to bring electricity to rural parts of America where other utilities would not serve because it was deemed too expensive mostly due to low population density. In sparsely populated areas, the cost of providing electric service is high, which makes government financing helpful to keeping electricity affordable.

The ELP is the lowest-cost capital option for SVEC and other electric cooperatives. SVEC has seven outstanding RUS loans committed between 2010 and 2025 with a current outstanding balance of over $100 million. These loans represent 74 percent of our long-term debt and have an average interest rate of 3.35 percent. The partnership with RUS through the ELP helps SVEC provide reliable, affordable electric service in our predominantly rural and therefore expensive to serve territory. We are grateful for this partnership.

Unfortunately, funding for the ELP has been completely exhausted each of the last two fiscal years, forcing some cooperatives to wait until the following fiscal year to obtain financing. This has occurred even while Congress has consistently increased funding for the program in recent years, most recently increasing the loan level to $7 billion for Fiscal Year 2026. The current funding shortfall is mostly attributed to a steep rise in electricity demand and higher construction costs associated with serving that demand. The National Rural Utilities Cooperative Finance Corporation (CFC) Grid Price Index indicates that electric distribution equipment has increased 100% since 2019. Without a significant funding increase for Fiscal Year 2027, more electric cooperative infrastructure projects will pile up, and the wait to obtain financing will grow. In this scenario, electric cooperatives will be pushed to more expensive lenders with the increased capital costs ultimately being passed onto the consumer-members.



For SVEC, the ELP represents more than just access to capital. It is a longstanding partnership with USDA that allows a rural utility like ours to navigate in the capital-intensive business of providing electricity. The assurance that we have RUS as a partner, and that this partnership will continue into the future, helps us to make investment decisions knowing they will not place unnecessary cost burdens on our consumer-members. To best continue this partnership into the future, the funding level for the ELP in Fiscal Year 2027 should match or exceed the known demand for loans in the pipeline at RUS.

Guaranteed Underwriter Program (GUP)

GUP is a program that allows certain qualified private lenders to borrow funds from the Federal Financing Bank (FFB) to relend to electric cooperatives. GUP facilitates a partnership among USDA, private lenders, and electric cooperatives to ensure rural infrastructure needs are met. SVEC has a relationship with qualified private lenders that participate in GUP. Working with private lenders can be particularly useful when capital is needed quickly, like after severe weather. These lenders are critical and SVEC has relied on their services following hurricanes and other severe weather.

As demand for electricity grows and costs associated with building and maintaining infrastructure continue to rise, it would benefit electric cooperatives for the funding authorization for GUP to continue to grow as well. GUP operates at a negative subsidy rate, and fees paid into the program by private lenders are used to fund the Rural Economic Development Loan and Grant (REDLG) program.

Rural Economic Development Loan and Grant (REDLG) Program

The REDLG program helps electric cooperatives provide benefits to their communities beyond electricity and broadband. It allows electric co-ops like SVEC to partner with USDA to help finance local community projects that stimulate economic growth and create jobs in the communities served. Repaid grant funds are retained by the local electric cooperative to create a local revolving loan fund to continually provide gap financing for local economic development projects. To participate in the program, a RUS ELP borrower works with a local business development project in need of financing, and the cooperative essentially acts as a cosigner to

ensure USDA is repaid in full. For example, in 2016 SVEC partnered with USDA through the REDLG grant program to finance a library at Advent Christian Village, Florida's first retirement community. The positive effects are still being realized to this day.

Broadband

In June 2022, SVEC launched Rapid Fiber Internet, a wholly owned broadband subsidiary, with the goal of offering fiber-to-the-home broadband service across the cooperative's footprint. At the time, the need for faster, more reliable internet was clear. During the COVID-19 shutdowns, many of our community's children lacked sufficient broadband access and as a result did not see or interact directly with their teachers during most of the "distance learning" period. Most local schools had buses follow their daily routes to distribute handouts to students. Similar struggles faced adults attempting to work from home, as more than 90% of consumer-members experienced speeds below 100 megabits per second (Mbps) when conducting a speed test. Internet access was so poor in some areas that one community member struggled to access the Federal Communications Commission's National Broadband Map to determine how her home was classified. After 10 minutes of attempting to navigate the system, she gave up, stating, "I don't have good enough broadband service to prove that I don't have good enough broadband service."

This member's story is not unique, and neither is SVEC's motivation for entering the broadband business. For too long, rural families and communities have been left on the wrong side of the digital divide, lacking the ability to access basic education, telehealth, or economic opportunities that are essential for today's modern life. And it was hard to ignore the parallels between digital connectivity today and rural electrification nearly 100 years ago. As SVEC considered beginning to offer broadband services, the goal was two-fold: (1) to strengthen the electric grid by improving resiliency and reliability, expanding operational intelligence and capabilities, and reduce outage response times, and (2) offer reliable high-speed internet service to unserved or underserved rural consumers.

In December 2023, SVEC was awarded a $17.8 million ReConnect Round 4 grant to help with the construction of our fiber network in rural Columbia, Hamilton, and Suwannee counties. When SVEC applied for the funding, we saw USDA's ReConnect program as a tool to help us fulfill our promise to provide broadband internet to every consumer-member's property over the next few years. The proposed funding area was selected in conjunction with a multi-phase fiber-to-the home broadband project across the entirety of SVEC's electric footprint. Our construction approach sought to connect substations and other electric facilities, which would then enable us to reach consumers along the way. Due to the way we approached our project, balancing contract resources and the significant demand for these services from the public left very little room for delay, which was outlined when SVEC applied for grant funding.

Unfortunately, despite our intent to leverage existing utility infrastructure and rights of way that had previously received RUS funding, our ReConnect project was significantly delayed by the environmental permitting requirements by the agency. Following months of outreach seeking clarity and updates on the review and permitting timelines, the delays SVEC faced jeopardized the overall success of the broadband project and forced us to turn back the grant funds.

As Congress considers the next Farm Bill, I, with support from NRECA, would like to offer suggestions for the ReConnect program. First, networks built with ReConnect dollars should be scalable and able to meet a minimum of 100 megabits per second (Mbps) speed threshold, if not higher. SVEC's Rapid Fiber Internet offers up to 2 gigabit symmetrical service, with approximately half of our consumers choosing the 1 gig or 2 gig speed packages. Consumers today demand higher capacity networks with faster speeds, and as homes, families, and businesses continue to integrate internet-enabled devices and tools into everyday life, the need for greater network capacity will only continue to increase.

Second, I would encourage streamlining of the federal permitting process, and especially for projects funded by different offices under the same agency. Our ReConnect project came to a near standstill when the agency required duplicative environmental, historic preservation, and other permitting reviews for the same infrastructure and same footprint that had undergone the same reviews only a few years prior. Similarly, providing flexibility for some work to begin prior to the full NEPA approval -- especially in instances where existing infrastructure is being leveraged or a substantively similar review has recently been conducted -- could help to reduce project costs and expedite broadband builds.

Despite the challenges SVEC faced with ReConnect in August 2026, Rapid Fiber Internet celebrated a significant milestone – the completion of broadband service availability to all members across Suwannee, Hamilton, Lafayette, and Columbia counties. Today, the network proudly serves over 9,300 customers and counting in North Florida.

Conclusion

In closing, I appreciate the Subcommittee's attention to the critical role that partnerships between USDA Rural Development and rural stakeholders, like electric cooperatives, play in the success of rural communities. Since its beginning in 1937, Suwannee Valley Electric Cooperative has aimed to bring connectivity and prosperity to the members we serve. Our partnership with USDA is critical to our mission. As electric demand continues to rise and broadband needs continue to grow, this partnership only becomes more essential. Thank you again for this opportunity to testify, and I look forward to your questions.