

Testimony of Dennis Chastain
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House Agriculture Subcommittee on Commodity Exchanges, Energy and Credit
“The Next Farm Bill: Examining Rural Development and Energy Programs”
March 9, 2017
Washington, DC

Thank you, Chairman Scott and Ranking Member Scott, for inviting me to testify. It’s an honor to be here today to help lay the groundwork for the next Farm Bill. I’m proud that two fellow Georgians have such influence over a bill that is so important to electric cooperatives.

My name is Dennis Chastain. I am the current President and CEO of the Georgia Electric Membership Corporation, but I’ve worked for electric co-ops for 30 years in a variety of economic development roles. I am here today representing Georgia EMCs and the National Rural Electric Cooperative Association.

Georgia EMC is a statewide trade association representing the state’s 41 EMCs, Oglethorpe Power Corporation, Georgia Transmission Corporation, and Georgia System Operations Corporation. Altogether, customer-owned EMCs provide electric power and related services to over 4.5 million people in Georgia - nearly half the population - across 73 percent of the state’s land area. And we employ over 5000 people.

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.

Co-ops have been supporting rural America for almost 80 years, and in many ways that job is more important now than it ever has been. 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 is why the Farm Bill is *essential* for co-ops, for Georgia, and for the country. The Farm Bill contains important rural development tools that support our efforts to strengthen our communities.

I’d like to start by asking you to think broadly about what rural economic development is. There were few greater developments in our country’s history than the electrification of rural America. It made farms more productive and rural life more desirable. It allowed kids to go to school, attracted new business, and brought in modern medicine where it couldn’t reach before.

While the lights came on nearly 80 years ago, rural development is just as essential in 2017. For example, in some areas of the country, we are today with internet access where we were with electricity at the beginning of the last century. Without access to high speed internet, rural America won’t be able

to compete. I would also argue that efforts to modernize the grid and improve energy efficiency are important for rural development because they make life more affordable, secure and convenient for the people who live there. In all these cases, electric cooperatives will continue to play instrumental and innovative roles in keeping rural America vibrant in the 21st century.

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 the work themselves. As a Georgian, I have to note that it was at Warm Springs, in my home state, that President Franklin Roosevelt saw firsthand the access and cost challenges faced by rural electricity consumers and recognized the important role of the electric cooperative. That's why, on May 11, 1935, he signed an executive order creating the Rural Electrification Administration and supported subsequent legislation to formalize 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 deliver power, clean water, and other necessities. It has 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.

RUS depends on a yearly appropriation from the Agriculture Appropriations bill. We are grateful that Chairman Conaway and Ranking Member Peterson have consistently led a bipartisan letter with several hundred signatures to appropriators advocating for robust RUS funding. Part of our support comes from the fact that we are such a good investment for the federal government. The President's Budget request for 2017 estimated that the federal government could earn up to \$300 million in net revenue from RUS loans. We thank you for your past support of RUS, and ask that you please continue to provide 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 generation, transmission and distribution of baseload power, for integration of renewables, for making environmental upgrades to existing generation, or for adopting new technologies that make the grid "smarter."

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 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. Cooperative lenders 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 the Committee 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.

Since 2011, Georgia co-ops have conducted around \$6 million in REDL&G projects. Included among those projects are the renovation of a hospital and the construction of a new cattle feed operation to support local agribusiness. We believe the REDL&G program is a valuable tool in offsetting population flight and job losses in rural Georgia and around the country.

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.

The Rural Energy Savings Program Act included in the last Farm Bill was modeled in part on the How\$mart program at Habersham EMC in Georgia. This is a unique program that allows co-op homeowners to finance energy efficiency upgrades in their homes then pay back those loans on their monthly bills. The efficiency gains result in a net savings for the customer.

We encourage you to maintain the Rural Energy Savings Program and the Energy Efficiency and Conservation Loan Program. We believe these programs can help others replicate Georgia's successes around the country to save energy and save our owners money.

Broadband

Just as with other types of infrastructure, rural America cannot be competitive without access to high speed broadband service. Many comparisons are drawn between the lack of 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. While we're not a silver bullet, we understand these communities and want to see them succeed. 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.