

Rural Development Utilities Programs

KENNETH M. ACKERMAN

Assistant Administrator

Program Accounting and Regulatory Analysis

NARUC Staff Subcommittee on

Accounting and Finance

New Orleans, Louisiana

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Leadership Changes

January 31, 2008 - President Bush
announces the unanimous confirmation of
Ed Schafer as
Secretary of Agriculture



Topics

- **Farm Bill**
- **Electric Program**
- **Telecommunications Program**
- **Water & Environmental Program**
- **Accounting Issues**
- **Other Issues**

Farm Bill Proposed Legislation

- The proposed bill authorizes USDA's:
 - Commodity program support
 - Conservation and Forestry
 - Renewable Energy
 - Research
 - Trade
 - Food stamps and other nutrition assistance
 - Rural Development
- The current farm bill was due to expire with the 2007 crop year – there have been temporary extensions, and most recently Congress passed a 33 day extension of the Farm Bill until April 18, 2008

Title VI: Rural Development

- **Provide an additional \$500 million to reduce the backlog of rural infrastructure projects**
 - Water and waste disposal loans and grants
 - Emergency water assistance grants
 - Community Facilities loan and grant programs
 - Distance learning and telemedicine grants

Title IX: Energy

- **Provide \$500 million to create a Bioenergy and Bioproducts Research Program**
 - Increase cost-effectiveness through cooperation between university and Federal scientists
- **Provide \$500 million for rural alternative energy and energy efficiency grants**
 - Directly assists farmers, ranchers, and rural small businesses

Title IX: Energy

- **Provide \$2.1 billion in loan guarantees to support cellulosic ethanol projects in rural areas**
- **Provide \$150 million for biomass research competitive grants, focusing on cellulosic ethanol**



Electric Program



Committed to the future of rural communities.

RUS BOX SCORE

Hardship Loans

As of 2/29/2008

FY Authority	\$ 99,300,000
Approved (0)	<u>\$ 0</u>
Remaining	\$ 99,300,000
Applications Pending (17)	\$ 126,467,000

RUS BOX SCORE

Municipal Rate Loans

As of 2/29/2008

FY Authority	\$	0
Approved (0)	\$	<u>0</u>
Remaining	\$	0
Applications Pending (11)	\$	44,989,000

RUS BOX SCORE

Loan Guarantees – Generation and Transmission

As of 2/29/2008

FY Authority	\$3,200,000,000
Approved (0)	<u>\$ 0</u>
Remaining	\$3,200,000,000
Applications Pending (35)	\$6,951,860,000

RUS BOX SCORE

Loan Guarantees - Distribution

As of 2/29/2008

FY Authority	\$3,300,000,000
Approved (0)	<u>\$ 0</u>
Remaining	\$3,300,000,000
Applications Pending (95)	\$2,395,897,000

Summary of Loan Program Electric Programs Budget (Dollars in Million)

Loan Program:	2007 Actual	2008 Actual	2009 Proposed
Direct 5%	99.0	99.3	100.0
Municipal Rate	100.7	0.0	0.0
Direct Treasury Rate	990.0	0.0	0.0
FFB Guaranteed	2,700.0	6,500.0	4,000.0
Non-FFB Guaranteed	0.0	0.0	0.0
Total Loan Program	3,889.7	6,599.3	4,100.0



Distribution Loans Approved By State – FY 07

STATE	NUMBER	AMOUNT
AL	1	\$8,400,000
AK	1	\$38,000,000
AR	1	\$16,366,000
CO	4	\$35,408,000
FL	5	\$220,239,000
GA	10	\$301,747,000
IN	6	\$39,400,000
IA	5	\$34,587,000
KS	4	\$30,696,000
KY	4	\$92,655,000
LA	1	\$21,707,000
MI	1	\$10,200,000
MN	8	\$108,682,000
MS	1	\$41,057,000
MO	3	\$29,331,000

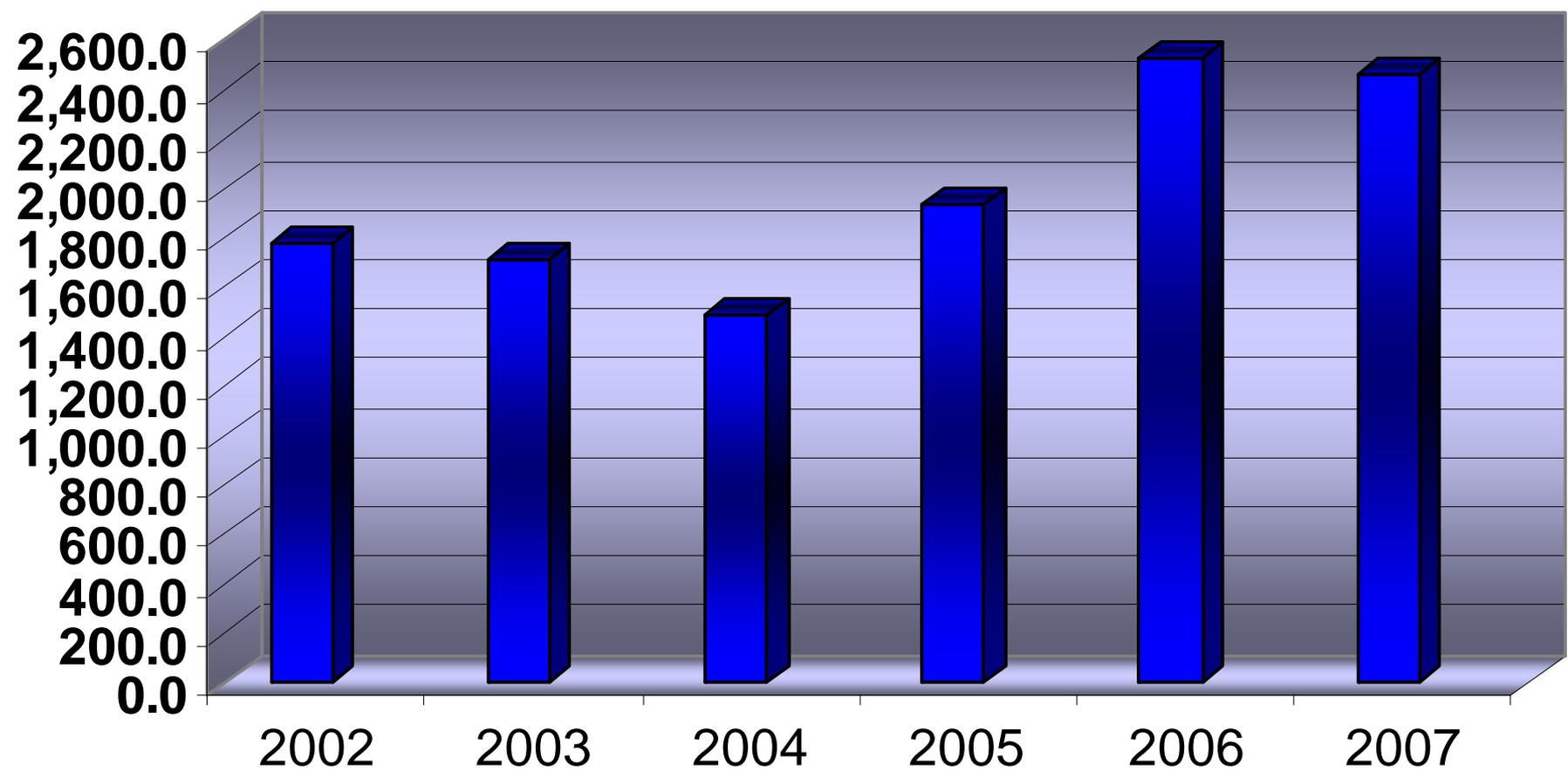
STATE	NUMBER	AMOUNT
MT	1	\$6,471,000
NM	2	\$45,180,000
NC	4	\$76,000,000
ND	2	\$14,850,000
OH	2	\$23,400,000
OK	3	\$50,896,000
OR	1	\$12,635,000
SC	2	\$57,861,000
SD	4	\$33,478,660
TN	1	\$16,000,000
TX	3	\$37,811,644
VA	1	\$4,149,000
WA	1	\$3,700,000
WV	1	\$7,500,000
WI	5	\$29,706,000
WY	2	\$2,339,000

Distribution Loans Approved Purposes – FY 07

- **17,656 Miles of New Distribution Lines**
- **6,787 Miles of Upgraded Distribution Lines**
- **379 Miles of New Transmission Lines**
- **7 Miles of Upgraded Transmission Lines**
- **\$ 2,445,698 for Geographic Information Systems (GIS)**
- **\$144,605,524 for Automatic Metering Reading (AMR)**
- **\$ 38,000,000 for Renewable Energy (20 MW)**
- **\$ 14,630,000 for Service/Warehouse/Headquarters Buildings**
- **\$ 23,485,000 for 100% Reimbursement Loans**
- **New &/or Upgraded Service in 243 Outmigration & 79 Poverty Counties**

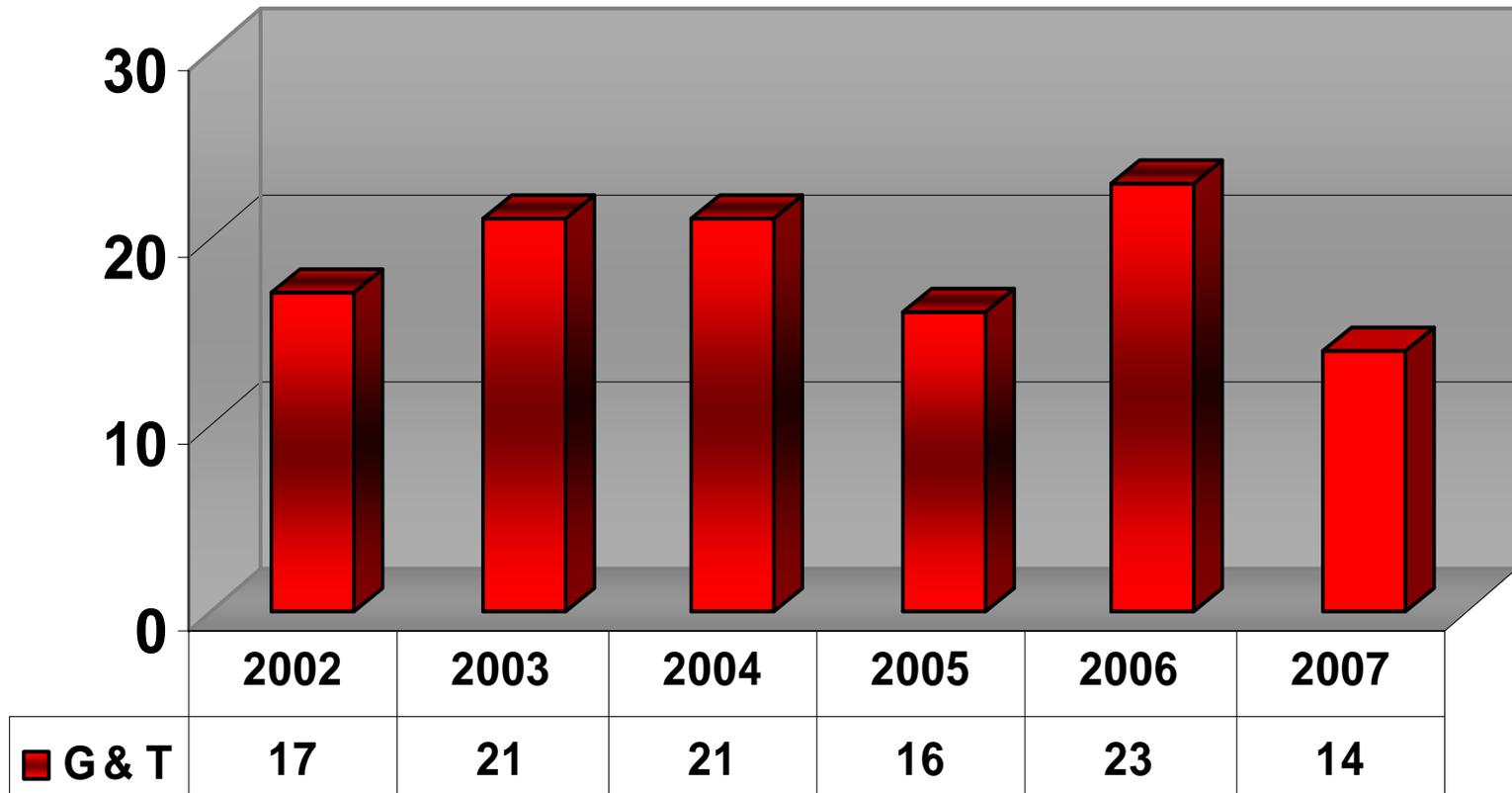
Generation & Transmission Loans Approved – FY 07

Loans Approved (million \$)



Generation & Transmission Loans Approved – FY 07

Number Of Loans Approved



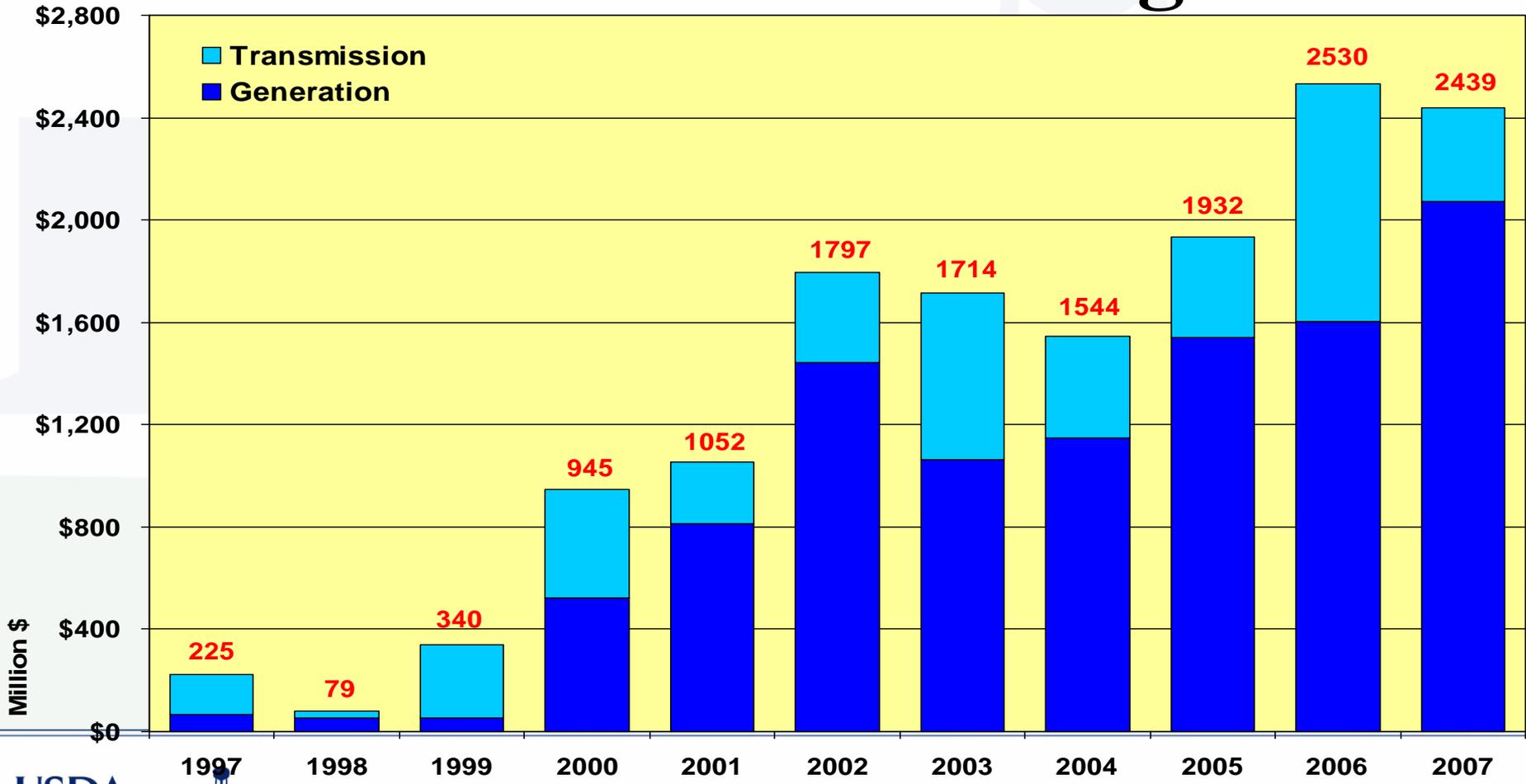
Generation & Transmission Loans Approved By State – FY 07

STATE	NUMBER	AMOUNT
FL	1	\$426,327,000
GA	3	\$658,717,000
IN	1	\$376,849,000
IA	1	\$ 57,273,000
MO	1	\$ 13,500,000
NC	1	\$ 76,024,000
ND	2	\$213,063,000
OH	1	\$280,800,000
OK	1	\$101,105,000
SD	1	\$ 64,931,000
TX	1	\$199,693,000

Generation & Transmission Loan Purposes – FY 07

- **489 Miles of New Transmission Lines**
- **209 Miles of Upgraded Transmission Lines**
- **\$ 637,761,000 for Generation System Improvements**
- **\$ 199,693,000 for 258,000 kW of New Generation**
- **\$ 28,970,000 for 20 MW of Renewable Energy Generation**
- **New and/or Upgraded Service in 241 Outmigration and 141 Poverty Counties**

Trend - G&T Loan Program



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FY-2008 G&T Loan Program

- \$6.5 billion for FFB Guarantee of which \$3.1 billion designated for PSD loans.
- Currently \$2.5 billion in the queue.
- Total loans in-house is \$7.2 billion.
- 4 loan applications in-house for coal-fired baseload generation totaling \$1.3 billion.
- 1 nuclear plant loan application in-house for about \$1.8 billion.

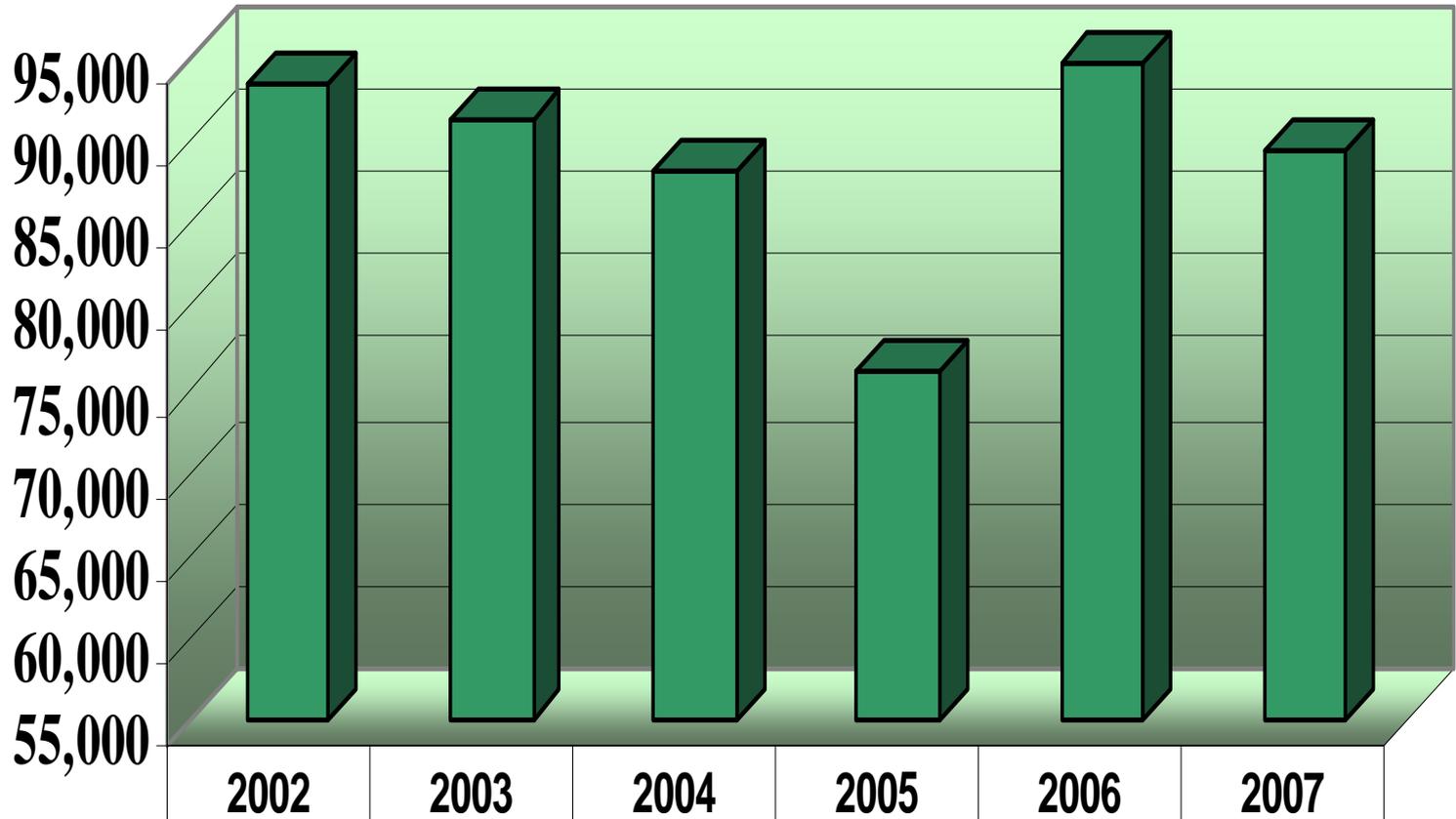
Issues / Concerns

- Declining human resource
- FOIA data request
- Lawsuit
 - Southern Montana – Highwood Gen. Project
 - Sunflower – Holcomb Development Project
- Appropriation Restriction
 - The Agency cannot use funds in 2008 to finance base load generation

Southern Montana Electric Generation & Transmission Cooperative

- Highwood Generation Station
- Loan application rejected February 2008
- Citing moratorium on financing base load generation

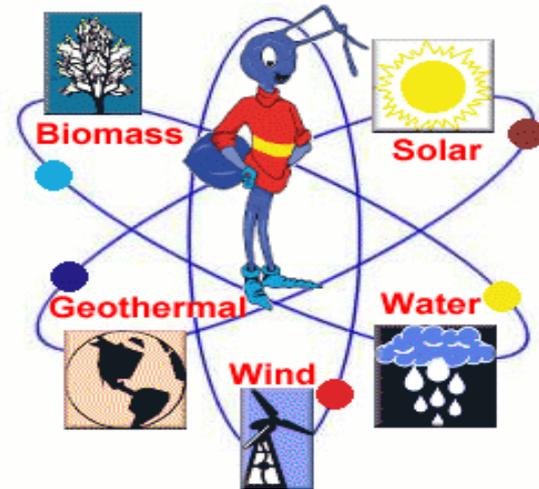
Jobs Created From Electric Programs Loans



■ Jobs Created	93,697	91,348	88,320	76,340	123,965	89,465
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RENEWABLE ENERGY

- USDA, Rural Development recognizes the importance Renewable Energy has to the economies of rural America, as well as the need to ensure a range of available sources of power.
- RD broadly defines Renewables to include: Wind, Bio-Mass, Solar, Water, and Geothermal energy sources.



RENEWABLE ENERGY

- Planning for the transmission is just as important as planning for generation



USDA, Rural Development has several financing options available for financing Renewable Energy projects.

Section 9006, Renewable Energy and Energy Efficiency Grants and Loan Guarantees.





Telecommunications



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Telecommunications Program

- David Villano replaced Jacki Ponti as the Assistant Administrator for Telecommunications Programs in January 2008

2008 / 2009 Loan Program Budget

<u>Infrastructure:</u>	2008	2009 (proposed)
• Hardship 5%	\$143,985,000	\$145,000,000
• Direct, Treasury Rate	\$248,250,000	\$250,000,000
• Direct, FFB	<u>\$292,935,000</u>	<u>\$295,000,000</u>
• Total Telecom	\$685,170,000	\$690,000,000

2008 / 2009 Loan Program Budget

Broadband:	2008	2009(proposed)
• Hardship 4%	\$ --	\$ --
• Treasury Rate	\$792,000,000	\$132,538,000
• Guaranteed \$	-- \$	--
• Grants	<u>\$ 13,405,000</u>	<u>\$ --</u>
• Total Broadband	\$ 805,405,000	\$132,538,000

2008 / 2009 Loan Program Budget

DLT and Public TV: 2008 2009(proposed)

• Treasury Rate Loans	\$28,265,000	\$ 0
• DLT Grants	\$29,790,000	\$20,000,000
• Public TV Grants	<u>\$4,965,000</u>	<u>\$ 0</u>
• Total DLT	\$63,020,000	\$20,000,000

Community Connect Broadband Grants

- **Community Connect Broadband Grants: \$13.4 Million Available**
 - The Community Connect Grant Program is designed to provide financial assistance in the form of grants to eligible applicants that will provide currently un-served areas, on a "community-oriented connectivity" basis, with broadband service that fosters economic growth and delivers enhanced education, health care, and public safety services.
- <http://www.usda.gov/rus/telecom/commconnect.htm>
- **Window closed March 28, 2008**

Public Television Digital Transition Grants

- **Public Television Digital Transition Grants: \$4.97 Million Available**
 - These grants assist Public Television Stations serving substantial rural populations in transitioning to digital broadcast television transmission, as mandated by the Federal Communications Commission. Grant funds may be used to acquire and install facilities and software necessary for the transition. Grant funds may also be used for associated engineering and environmental studies.
- <http://www.usda.gov/rus/telecom/public-tv.htm>
- **Window Closed March 28, 2008**

Distance Learning and Telemedicine Grants

- **Distance Learning and Telemedicine Grants: \$29.79 Million Available**
 - The **DLT Program** is designed specifically to meet the educational and health care requirements of rural America. The purpose of the DLT program is to provide financial assistance to enhance learning and health care opportunities for rural residents.
- <http://www.usda.gov/rus/telecom/dlt/dlt.htm>
- **Window Closes April 14, 2008**

Broadband Loan Program

212 Applications Received Since the Beginning of
the Program, Totaling \$4,496,958,431

Applications Processed as of February 1, 2008

79 Approved	\$1,284,633,931
19 In Review	887,296,794
113 Returned	2,266,010,168
Rescinded Loans	443,347,973

New Broadband Loan

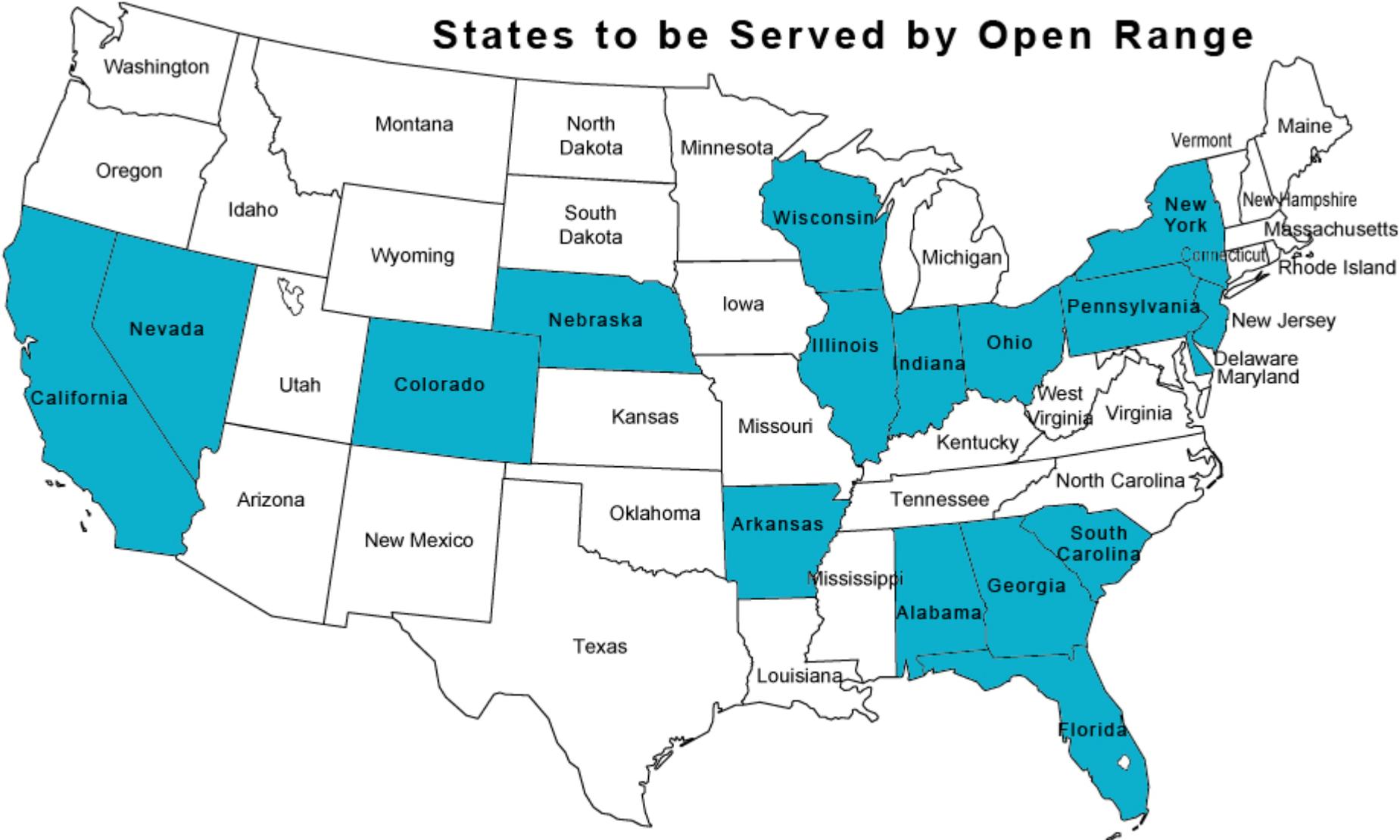
- Announced March 25, 2008
- Open Range Communications, headquartered in Denver, Colorado
- \$267M Loan 66%
- \$109M Private Equity 34%
- This is one of the largest public-private investments for broadband service

Broadband Service To:

- 518 rural communities in 17 states
- Covers 6 million people and serves 447,000 households within 5 years

Open Range Communications, Inc.

States to be Served by Open Range



Open Range Communications

- Wireless, portable broadband connectivity to improve service in considerable portions of rural America
- Broadband service at 1.5 Mb/s downstream and 512 Kb/s upstream

Open Range Communications

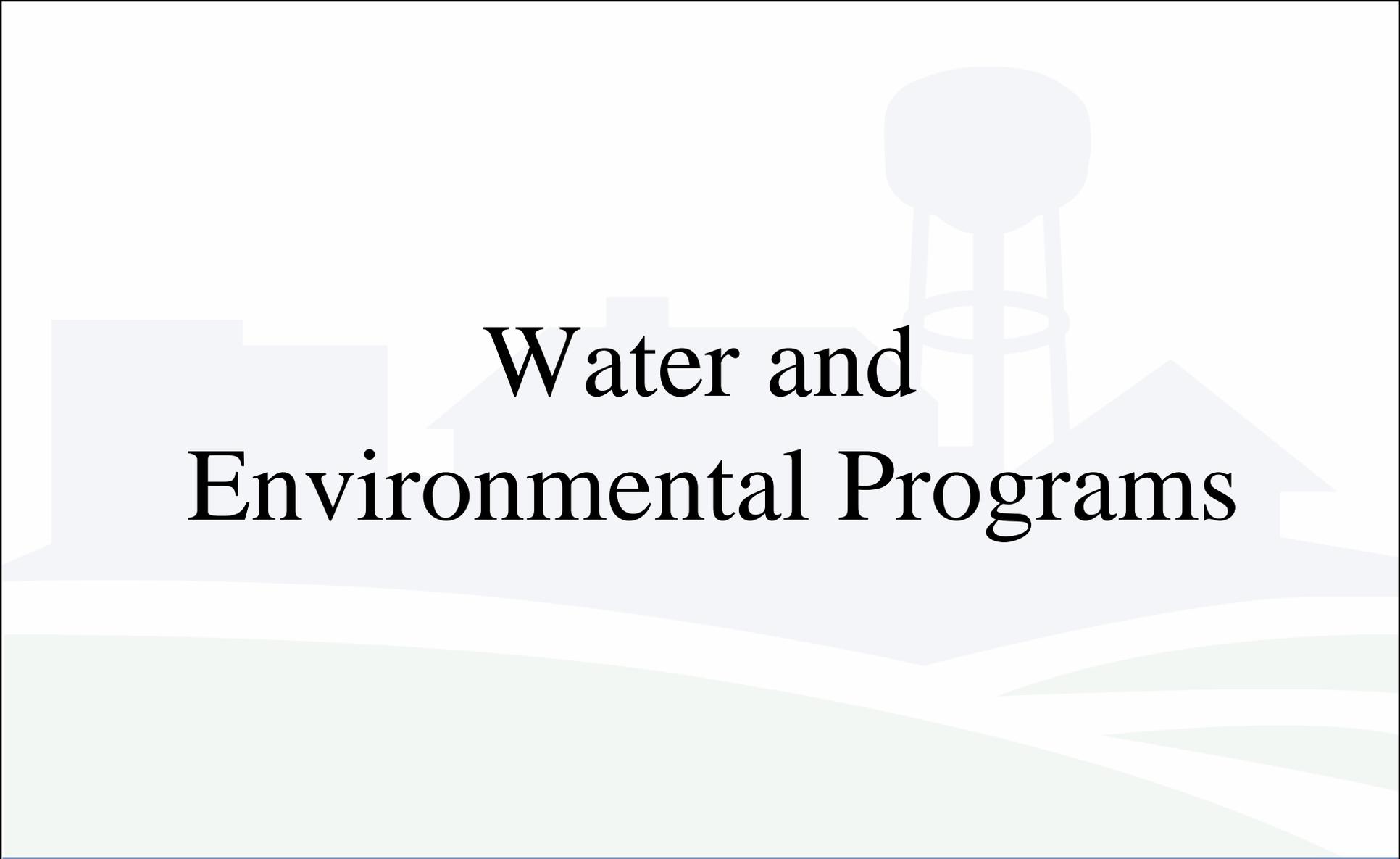
- Provide cutting-edge Wi-Max technology that transmits wireless data in areas not served by cable or DSL technology
- Outside the service territory, customers can receive broadband service via satellite.

Rural Broadband Access Loans and Loan Guarantees

- Proposed revisions to 7 CFR Part 1738
- Published May 11, 2007
- Comments were due by July 10, 2007
- 8 specific areas of change
- 38 parties filed comments
- Farm Bill will impact Broadband program
- Once Farm Bill is passed, the program staff will review the proposed regulations and incorporate any modifications required

Rural Telephone Bank Dissolution

- **November 13, 2007 – Final liquidation payment made to Class A and B Stockholders:** On November 13, 2007, the Bank paid out approximately \$39.69 million to its Class A (Government) and Class B (Private) Stockholders as the final distribution to complete its liquidation. The final payment amount was approximately 4.435 cents per share.
- **February 11, 2008 - Final Meeting of Bank Board:** A final meeting of the Bank's last Board of Directors was held to mark the completion of the dissolution of the Bank.



Water and Environmental Programs



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Water and Environmental Programs

- Jacki Ponti replaced Gary Morgan, who retired in January 2008, as Assistant Administrator for Water and Environmental Programs

Water and Environmental Programs

(\$ Millions)

	FY 2007 Actual	FY 2008 Actual
Direct Loans	\$ 1081.18	\$ 1,008.00
Guaranteed Loans	\$ 28.00	\$ 75.00
Grants	\$ 357.46	\$ 346.00
2005 Hurricanes	\$ 12.96	\$ 0
Solid Waste Mgmt Grants	\$ 3.50	\$ 3.50
Individually-owed water well	\$ 0.99	\$ 0
Grants for Water and Wastewater Revolving	\$ 0.50	\$ 0
Total	\$ 1,484.59	\$ 1,425.50



NRWA Revolving Loan Fund

- National Rural Water Association Revolving Loan Fund was established under a grant from the Rural Development Utilities Programs to provide financing to eligible utilities for pre-development costs associated with proposed water and wastewater projects.

NRWA Revolving Loan Fund

- May also be used with existing water/wastewater systems and the short term costs incurred for replacement equipment, small scale extension of services, or other small capital projects.
- Applicants must be public entities, with up to 10,000 population and rural areas with no population limits

NRWA Revolving Loan Fund

- Loan amounts may not exceed \$100,000 or 75% of the total project cost, whichever is less
- Loan terms allow a maximum repayment period of 10 years

Household Water Well System (HWWS) Grant Program

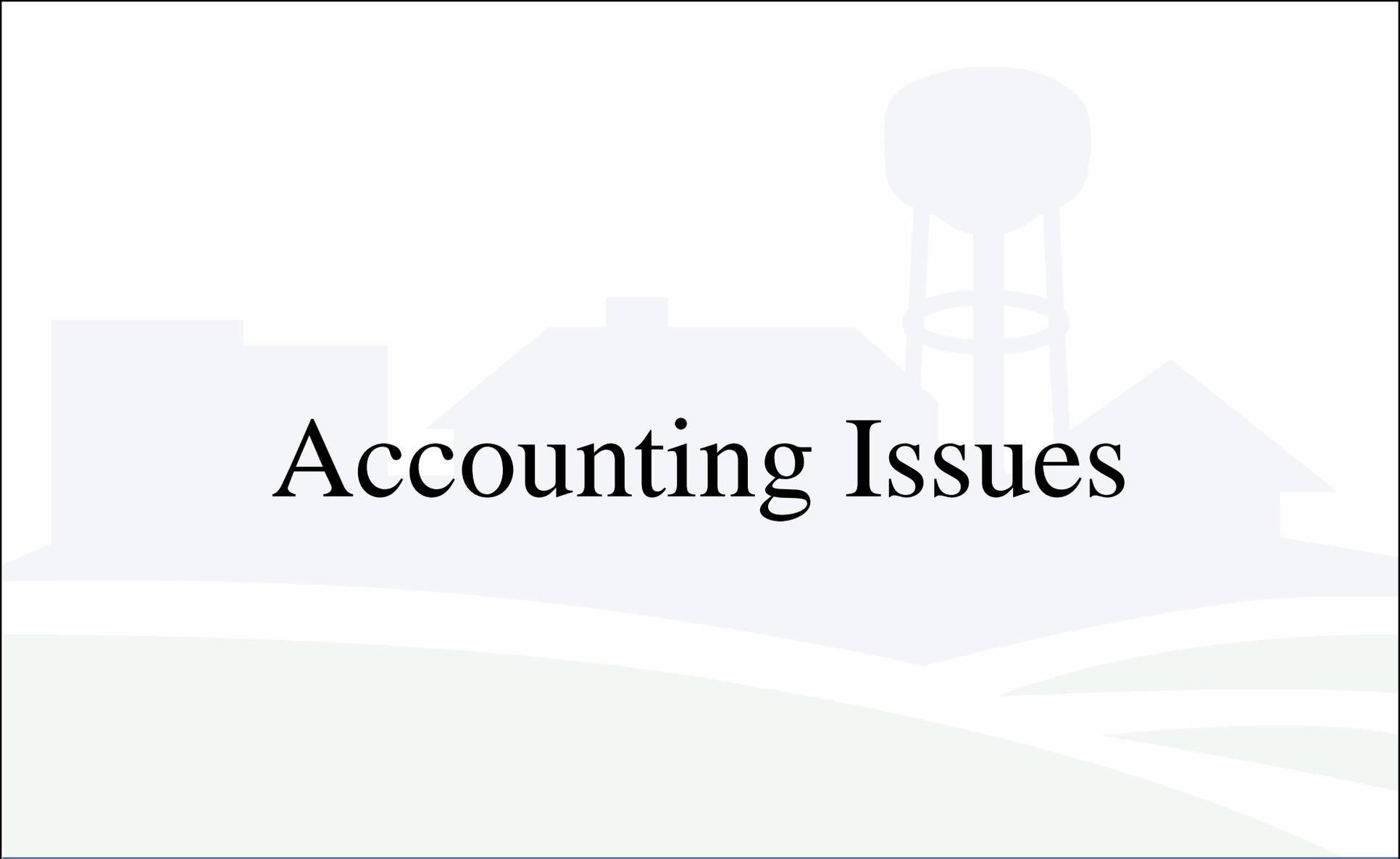
- Provides grants to qualified private non-profit organizations to establish lending programs for household water wells. Homeowners or eligible individuals may borrow money from an approved organization to construct or upgrade their private well systems

HWWS Grant Program

- The loans may be used to construct, refurbish, and service an individual's well system.
- The non-profit organizations applying for the grant funds must contribute at least 10 percent.
- Available funds: \$993,000

HWWS Grant Program

- The loan limit is \$8,000 at 1 percent for 20 years.
- A Notice of Funding Availability (NOFA) for the Fiscal Year 2008 HWWS Grant Program was published in the **FEDERAL REGISTER** on January 28, 2008 (**Federal Register** / Vol. 73, No. 18; pg 4809)



Accounting Issues

Uniform System of Accounts

- Publication of Final Rule is imminent
- Provides alternative presentations for audited financial statements for balances in the Cushion of Credit account
- Implements recent FERC orders
- Clarifies Rural Development Utilities Programs specific guidance

Uniform System of Accounts

- Proposed accounting for Renewable Energy Credits has been delayed as we continue to research options and methodologies within the accounting and utility communities.

Adoption of FAS 158

- A significant number of borrowers have opted to delay the recognition of the SFAS 158 impact by utilizing the provisions of SFAS 71

Liabilities & Equity Project

- Because of the cooperative form of ownership, this project has created some concern within the cooperative community.
- Because cooperatives operate on a not for profit basis, all margins (net income) is allocated back to the owners/customers on an annual basis (Patronage Capital).
- This Patronage Capital is eventually redeemed/distributed to the owners much in the same way dividends are paid to shareholders.
- In the final pronouncement, we are still expecting Patronage Capital to be classified as Equity.

Business Combinations

- Application of the guidance for mutual enterprises was delayed until FASB issued further guidance.
- SFAS No. 141R provided the additional guidance and is effective for acquisitions on or after the beginning of the first annual reporting period on or after December 15, 2008



Other Issues

2008 Rural Development Utilities Programs CPA Seminars

- August 25-26 Spokane, WA
- September 8-9 Kansas City, MO
- October 6-7 Nashville, TN

Regional Educational Workshops on Rural Broadband in 2008

April 30, 2008: Blacksburg, Virginia

June 19, 2008: Saginaw, Michigan

September 18, 2008: Austin, Texas

November 20, 2008: Phoenix, Arizona



Training

- Rural Development Utilities Programs in cooperation with the National Rural Electric Cooperative Association is developing a web-based Work Order Workshop which will be available through www.nreca.coop
- Anticipate rolling out this product in July 2008

Vacancies

- Field Accountants
 - Northwest (Alaska, Washington, Idaho, Western Montana)
 - Indiana
 - South Carolina
- Washington, DC
 - Branch Chief
 - Staff Accountants
 - System Accountant

USDA



Rural Development

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<http://www.usda.gov/rus/>

kenneth.ackerman@wdc.usda.gov



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