Talking Points

June 25, 2020

Electric Co-ops and the Paycheck Protection Program

- As the coronavirus pandemic evolves, the economic impact of the pandemic on electric cooperatives has been immediate, significant, and is growing.
    - The economic health of electric co-ops is tied directly to the wellbeing of their community. Many electric cooperatives are seeing a spike in unpaid electric bills as local businesses close their doors and hardworking Americans lose their jobs.
    - The rural membership of electric co-ops results in high fixed costs for delivering electricity, including maintaining 42% of the nation's distribution lines to serve 13% of electric consumers.
    - According to recent research by NRECA, the nation's electric cooperatives could suffer up to $10 billion in lost revenue through 2022 due to the COVID-19 pandemic.
        - Electric co-op operating **revenues are projected to decline by $7.4 billion** as electricity sales fall by 5% through 2022 due to lower U.S. economic output.
        - A surge in unemployment, coupled with mandatory or voluntary moratoriums on service disconnections in 46 states, is also expected to **increase the balance of unpaid electric bills to $2.6 billion through 2022.**
- We are pleased that the Small Business Administration (SBA) issued a rule on May 14 to clarify that electric co-ops are eligible for Paycheck Protection Program (PPP) funding.
    - This clarification is vital for electric cooperatives that are looking to the Paycheck Protection Program for support as they work to keep the lights on and provide local families and businesses with certainty in an uncertain time.
    - We thank Senators John Hoeven, Tina Smith, and many of their colleagues for their instrumental role in securing this needed clarity for electric cooperatives, many of which are managing a significant reduction in electricity sales and increasing levels of consumer-member non-payment during this difficult time.
- Several electric cooperatives are looking to the PPP for financial support as they work to keep the lights on and provide local families and businesses with certainty during an uncertain time.
    - Electric co-ops own and operate critical infrastructure. The reliable, affordable electricity that co-ops provide will help power economic recovery.
    - Co-op PPP funds are designed to allow the co-op to continue operations, pay its employees and serve their local community.

        - Not-for-profit electric cooperatives regularly return excess revenue to their consumers and have no shareholders. Because of this structure and the desire to keep energy costs as low as possible, some co-ops have limited reserve margins to sustain high rates of nonpayment. PPP loans are an important lifeline for some electric co-ops.

- Electric cooperatives are private, independent businesses that are built by and belong to the consumers they serve. The vast majority meet the classification of a small business under the SBA standards.

    - Traditional SBA program guidance has limited eligibility for loan programs to only businesses that are "organized for profit," but the PPP eligibility was intentionally broadened.

- Because electric co-ops face the same challenges as many other small businesses, NRECA worked diligently to ensure that those co-ops that need this federal assistance are eligible to participate in the Paycheck Protection Program.

    - Congress agrees. A bipartisan group of 164 House and 43 Senate leaders sent letters to the Treasury Department and SBA calling for swift clarification on this issue.