

March 7, 2022

Submitted electronically to dlaenergy.eteam@dla.mil

Re: **Request for Information (RFI) on Transitioning the U.S. Government to a Carbon Pollution-Free Electricity Supply – Market Capabilities in Competitive Retail Electricity Markets**

To Whom It May Concern:

The National Rural Electric Cooperative Association (NRECA) respectfully submits these comments in response to the U.S. Department of Defense (DoD) Defense Logistics Agency (DLA) Energy and the U.S. General Services Administration (GSA) joint Request for Information (RFI) on carbon pollution-free electricity (CFE).

NRECA is the national trade association representing nearly 900 local electric cooperatives and other rural electric utilities. America's electric cooperatives are owned by the people that they serve and comprise a unique sector of the electric industry. From growing regions to remote farming communities, electric cooperatives power 1 in 8 Americans and serve as engines of economic development for 42 million Americans across 56 percent of the nation's landscape. Cooperatives also serve more than 100 military or other federal facilities in 39 states and own, operate, and maintain the electric distribution grid at 33 military installations through Utility Privatization (UP) contracts under 10 U.S. Code § 2688.

Electric cooperatives operate at cost and without a profit incentive. NRECA's member cooperatives include 62 generation and transmission (G&T) cooperatives and 831 distribution cooperatives. The G&Ts generate and transmit power to distribution cooperatives that provide it to the end of line co-op consumer-members. Collectively, cooperative G&Ts generate and transmit power to nearly 80 percent of the distribution cooperatives in the nation. The remaining distribution cooperatives receive power directly from other generation sources within the electric utility sector. Both distribution and G&T cooperatives share an obligation to serve their members by providing safe, reliable, and affordable electric service.

NRECA and our cooperative members that serve military installations and other federal facilities have serious concerns about President Biden's Executive Order (EO) 14057, *Catalyzing America's Clean Energy Economy Through Federal Sustainability*, and the federal agency requirement to use 100% CFE by 2030. Electric cooperatives' primary mission is to serve their consumer-members with an affordable and reliable power supply and we believe this timeline creates significant practical challenges for electric cooperatives that will impact the members they serve. As you take stakeholder comment regarding the process to procure CFE to serve the needs of federal facilities, we are compelled to communicate the importance of doing so in a flexible way with multiple options. Electric cooperatives have an obligation to provide reliable and affordable electric service and are great partners with the U.S. military and

the federal government as a whole. Therefore, any federal policy that threatens this dynamic is of concern to us.

Cooperatives are Good Partners to the Federal Government in an Energy Transition

Electric cooperatives are implementing lower carbon energy solutions in a manner that meets their consumer-member expectations while retaining reliable, affordable electricity for their members. A balanced portfolio of fuels to generate electricity remains the cornerstone of reliability even as electric co-ops have reduced carbon dioxide emissions by 23% since 2005.

For more than a decade, electric cooperatives have significantly expanded renewable capacity in their generation portfolios and led innovation in the development of microgrids and carbon capture and sequestration. As of 2021, more than two-thirds of electricity delivered by co-ops to members comes from low- or zero-carbon sources.

Electric cooperatives in 2020 added more than 1.6 gigawatts of new renewable capacity, more than in any previous year. By the end of that year, co-ops had more than 11.4 gigawatts of renewables in their resource portfolios, in addition to 10 gigawatts of federal hydro. These resources include non-federal hydroelectric resources, as well as wind, solar, biomass, and heat capture technologies. Preliminary analysis by NRECA shows a similar level of new capacity added in 2021, and more than 5 gigawatts of additional renewable capacity planned to come online over the next three years, with frequent announcements of new projects.

But cooperatives still face challenges because, as not-for-profit businesses, electric co-ops have been unable to use energy tax incentives that are available to investor-owned utilities. This significant disadvantage has, for many years, hindered co-ops' ability to deploy new technologies. That's why we're advocating for changes to tax policy that would provide direct tax incentives to electric cooperatives that would incent greater participation in innovative energy technology.

The federal government needs a continued commitment to the development of energy technologies in order to meet future electricity needs. Currently, there is a lack of commercially viable electric generating technologies that are affordable, always-available, and carbon-free. Diversity of electric generating sources, from traditional energy sources like natural gas and coal to renewables and nuclear energy, is important to electric cooperatives in maintaining affordable rates and reliable delivery. As DoD considers how best to move forward on achieving their goals, closely engaging with those who produce the electricity serving federal facilities is critical to ensure solutions are achievable, affordable and resilient.

Notably, DoD is the largest energy user in the federal government and one of the largest electricity purchasers in the world. More than 135 NRECA members serve DoD facilities. Many of these bases are some of the most critical U.S. bases including, but not limited to, Fort Bragg, Fort Bliss, Fort Stewart, Eglin AFB and Minot AFB, in addition to many other strategic DoD assets.

Cooperatives are already partnering with their local military bases in innovative ways to help meet their mission. Cooperatives are well-positioned to support their local DoD installations and to help fulfill some of their ambitious energy assurance goals. They have deployed microgrids, battery energy storage, electric vehicle (EV) charging infrastructure, solar, fiber, and other innovative resilience assets.

- The cooperative that holds the UP contract for Fort Knox Army Base in Elizabethtown, KY is often cited as an example of how a military base can conduct an annual “pull the plug” resilience exercise. Through their *Energy Security Project*, the cooperative delivers back-up generation for resilience and reliability, while it allows for peak shaving and combined heat & power (CHP) operations on a 24/7 basis. Between 2015 and 2019, gross savings at Fort Knox was more than \$25 million.
- An EV pilot program at Fort Benning with the cooperative that holds its UP contract demonstrates the path forward for additional charging system investments across Army installations. Such pilots are significant in light of objectives outlined in [the U.S. Army 2022 Climate Strategy](#). For instance, the strategy affirms objectives to field an all-electric light-duty non-tactical vehicle fleet by 2027, and field an all-electric non-tactical fleet by 2035 ([Line of Effort 1; Intermediate Objectives 1.7 and 1.8](#)).

As members of the community they serve, cooperatives have a responsibility to ensure the resilience and reliability of the military base. By leveraging its buying power to drive change in industry, DoD installations must simultaneously engage with their local communities – especially where the community owns the electric system – to ensure mutual readiness and buy-in rather than trying to simply force said change.

Our Business Model and Rural Service Territory Provide a Useful Perspective to DoD

America’s electric cooperatives are privately owned not-for-profit-businesses, formed by and for the benefit of the communities they serve. Nearly all of America’s electric cooperatives are classified as “small” by [the Small Business Administration \(SBA\)](#) size standards; the average distribution cooperative employs just under 50 people.

As the Administration continues to work towards understanding the ability of the utility industry to supply 24/7 CFE, it must first consider affordability and reliability – but it is also critical that small businesses are not only participants in the effort but have an opportunity to play a leadership position on a portion of the opportunities.

As you know, the [Federal Sustainability Plan](#) directs the federal government to aggregate CFE purchases across regions and agencies to help lead and execute innovative procurement strategies that leverage the federal government’s electricity consumption, unlock economies of scale, promote equity, and achieve cost-savings for tax-payers while simultaneously benefitting overburdened, underserved communities.¹ To provide reliable, affordable power on a cost-competitive basis, it may be advantageous for co-ops to aggregate CFE supply across several co-ops. Allowing for small entity aggregation should be an important consideration in

¹ <https://www.sustainability.gov/federalsustainabilityplan/carbon.html>

designing any federal sustainability program under consideration, keeping in mind any new investments will be borne by all consumer-members.

Electric cooperatives also have a unique perspective because many consumers in rural communities are less affluent than those in other parts of the United States. In 2019, the median household income for electric cooperative consumer-members was 11% below the national average. Electric cooperatives serve 92% (364 of 395) of the persistent poverty counties in the United States.

In part, that is why electric co-ops evaluate energy and environmental policy proposals through the lens of affordability, reliability, responsibility, and flexibility. Co-ops determine their future path based on factors such as the needs and desires of their consumer-members and the communities they serve, the regional availability of energy resources and technology, state and federal policy, and reasonable timelines for the energy transition.

Cooperatives Must Be Integrated into DoD Electric Supply Planning Processes

Given cooperatives' serious concerns about the Biden administration's EO and the federal agency requirement to use 100% CFE by 2030, any and all DoD sustainability efforts must ensure that electric cooperatives and NRECA members are active participants in the planning process. We request that utilities serving U.S. military bases be made aware of any associated CFE initiatives or future requirements, and be considered key stakeholders in ongoing dialogue to determine the timelines by which cooperatives can meet these targets reliably and affordably.

More pointedly, early and frequent communication with the electric utility sector will be critical for maintaining grid reliability and managing costs as new generation sources are developed to support loads added to the system. As America plans for a future that depends on electricity as the primary energy source for much of the economy, strategic investments in energy innovation are critical and electric cooperatives and other utilities must be integrated at the very beginning of the planning process to avoid unintended consequences.

Electric cooperatives are vital to ensuring that planned projects will be appropriately included in the electric distribution interconnection processes, including the extensive planning required, to ensure continued reliability of the system. Planning must be based on realistic long-term and short-term forecasts and must holistically incorporate reliability, affordability, resource adequacy, and environmental goals. Finally, planning must be flexible enough to account for the uncertainty in identifying the benefits and burdens borne by various consumer classes. While the federal government is a major customer, electric cooperatives are responsible for considering the impact of changes to the rest of their consumer-members.

Affordability is vital to electric cooperatives and the consumer-members they serve and an important consideration when adopting new technologies and services or making infrastructure investments. Any new costs imposed on an electric cooperative ultimately are borne by the consumers-members at the end of the line. Electric cooperatives are excellent partners with DoD and the U.S. military bases they serve. However policy goals, particularly in the context of

serving military bases and ensuring our national security, must align with the realities of delivering reliable electric service.

Competitive Electricity

The federal government's acquisition of utility services is governed by Federal Acquisition Regulation (FAR) part 41. Under the FAR, it is the government's policy to obtain "utility services from sources of supply which are most advantageous to the Government in terms of economy, efficiency, reliability, or service." FAR 41.201. At the same time, the federal government is prohibited from purchasing electricity "in any manner that is inconsistent with state law governing the providing of electricity service[.]" FAR 41.201(d) (citing Section 8093 of Pub. L. No. 100-202, Dec. 22, 1987, 101 Stat. 1329, 1329-79).

Prior to acquiring electric utility services on a competitive basis, procuring agencies must determine that "such competition would not be inconsistent with state law governing the provision of electric utility service, including state utility commission rulings and electric utility franchises or service territories established pursuant to state statute, state regulation, or state-approved territorial agreements." FAR 41.201(e). These policy principles drive the federal government's acquisition of electricity—beginning with the acquisition planning phase (requiring market research to identify the utility supplier(s) in the area capable of meeting the agency's needs), through the agency's procurement method and choice of contract (e.g., a GSA areawide or separate contract).

NRECA reiterates these principles to emphasize that the federal government—by regulation—is not authorized to ignore the viability of electric cooperatives. As demonstrated above, electric cooperatives already provide substantial CFE and continue to expand their CFE offerings, while also fulfilling the government's preference for working with new or previously underutilized generation sources and small businesses. Thus, electric cooperatives can and should be fully integrated into the government's electric supply planning process.

Conclusion

NRECA is concerned with EO 14057 and DoD's associated implementation of the EO given electric cooperatives' mission to serve DoD and other federal facilities affordably and reliably. Stakeholder outreach must include ongoing discussion with electric cooperatives to better understand the challenges associated with delivering a carbon free power supply by 2030. Despite our serious concerns, we appreciate the partnership with DoD and the federal government as a whole and want to partner in identifying solutions that allow for the continued delivery of reliable and affordable energy to military bases and other federal facilities in addition to all of our consumer-members. As the Administration begins the process of procuring CFE to serve the needs of federal facilities, electric cooperatives stand ready to partner with federal agencies to help ensure that it can be done without sacrificing affordable and reliable electric service. As such, NRECA strongly urges the Administration to ensure electric cooperatives are afforded an active role in this transition.

Letter to DoD Defense Logistics Agency Energy and GSA

RFI: Carbon Pollution-Free Electricity (CFE)

March 7, 2022

Thank you for considering our comments. Please contact me at stephanie.crawford@nreca.coop or 703-907-5732 if you have any questions regarding these comments.

Sincerely,

Stephanie Crawford

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