

September 27, 2019

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U.S. Environmental Protection Agency  
Office of Resource Conservation and Recovery  
1200 Pennsylvania Avenue, NW  
Washington, DC 20460

RE: Financial Responsibility Requirements Under CERCLA Section 108(b) for Facilities in the Electric Power Generation, Transmission, and Distribution Industry  
EPA-HQ-OLEM-2019-0085

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 rural electric cooperatives, responsible for keeping the lights on for more than 42 million people across 48 states. NRECA agrees with the Environmental Protection Agency's (EPA's) finding that new CERCLA Section 108(b) financial responsibility requirements are *not* warranted for the electric power sector, and NRECA strongly supports the agency's proposal *not* to impose such new requirements.

NRECA is a member of the Utility Solid Waste Activities Group (USWAG) and endorses the comments submitted by that organization:

- The electric power sector has historically taken full responsibility for and financed cleanups at industrial facilities, including coal combustion residual (CCR) management units.
- The sector is financially stable and does not represent a financial risk to the Superfund.
- Hazardous constituents, especially those identified as the main source of releases at electric power sector facilities are heavily regulated under the current environmental framework: the Toxic Substances Control Act (TSCA) strictly and comprehensively regulates polychlorinated biphenols (PCBs) and asbestos; the Resource Conservation and Recovery Act (RCRA) comprehensively regulates CCR under targeted rules promulgated in 2015.

NRECA seeks to augment the USWAG comments with additional information on the cooperative business model, the financial stability of America's electric cooperatives, and changes in cooperative activities that will continue to reduce the generation of hazardous constituents.

### The Cooperative Business Model

Electric coops are community-focused organizations that work to efficiently deliver affordable and reliable energy to consumer members. They were built by, and belong to, the communities they serve so each cooperative is different depending on their community's specific needs. NRECA's members include 62 generation and transmission (G&T) cooperatives and 831 distribution cooperatives, which provide electricity to 1 in 8 Americans. All but three of these coops are classified as small businesses under the Small Business Administration standards. Importantly, electric coops serve 92% of the nation's persistent poverty counties.

The G&T cooperatives are owned by the distribution co-ops they serve, which in turn deliver power to end-of-the-line consumer-members. Roughly half of distribution coop electric retail sales comes from G&T-owned facilities, while the remaining half is provided by non-NRECA members, either directly or through G&T market

purchases. Both distribution and G&T cooperatives share an obligation to responsibly serve their members by providing safe, reliable, and affordable electricity.

The critical role these cooperatives play in providing electric service and, increasingly, broadband service, makes them vital to the economic health of their communities. In 2017, electric coops supported 611,600 direct and indirect American jobs and contributed an estimated \$88.4 billion to the U.S. GDP. This includes more than \$1.1 billion in excess revenue returned directly to their consumer-members.

For 75 years, electric cooperatives have proudly shouldered the responsibility of bringing electricity to rural parts of this country. This obligation is not without its challenges. These sparsely populated and primarily residential communities are more expensive to serve and provide less revenue per consumer compared to the more industrialized and densely-populated areas served by investor-owned or municipal utilities. Electric coops serve an average of eight consumers per mile of distribution line and collect annual revenue of approximately \$19,000 per mile. Others in the utility sector average 32 customers and \$79,000 in annual revenue per mile.

The average electric cooperative household also uses significantly more electricity every month than other utility customers, with mostly single-unit or manufactured housing that endure significant exposure to the elements, compared to closely-confined houses or apartments. Further, the median household income for coop consumers is 11% below the national average. These factors make it especially important for coops to keep their electric rates affordable, particularly for those who can ill afford increased electricity costs, while maintaining reliability and improving sustainability.

Under the cooperative business model, costs are born by cooperative member-owners – the distribution cooperatives that own the G&Ts and the individuals that “own” the distribution coops.

### Cooperative-Specific Sources of Financing

America’s rural electric cooperatives have several unique sources of financing that can be used for environmental remediation as well as other purposes.

The Rural Electrification Act of 1936 provided low-interest federal loans for the installation of electrical distribution systems to serve isolated rural areas of the country. That funding was channeled through cooperative electric power companies. Those member-owned coops purchased power on a wholesale basis and distributed it using their own network of transmission and distribution lines. Under the Department of Agriculture Reorganization Act (1994) the Rural Electrification Administration (REA) was absorbed into the broader Rural Utilities Service (RUS). The RUS Electric Program<sup>1</sup> continues to provide capital and leadership to maintain, expand, upgrade and modernize the country’s rural electric infrastructure. The loans and loan guarantees finance the construction or improvement of electric distribution, transmission, and generation facilities in rural areas.

In addition to RUS funding, coops can also access funding from the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank.

CFC<sup>2</sup> was established in 1969 as a member-owned, nonprofit finance cooperative with more than \$27 billion in assets. CFC provides credit and industry-leading financial products to electric coops and rural utility systems. CFC was formed to supplement the loan programs of RUS as an alternative and adjunct to RUS financing.

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<sup>1</sup> [www.rd.usda.gov](http://www.rd.usda.gov) (September 27, 2019)

<sup>2</sup> [www.nrucfc.coop](http://www.nrucfc.coop) (September 27, 2019)

CoBank<sup>3</sup> is a \$139 billion cooperative bank serving industries across rural America. The bank provides loans, leases, and other financial services to agribusinesses, rural infrastructure, and Farm Credit customers in all 50 states. and rural power, water and communications providers throughout rural America.

Access to these sources of finance coupled with conservative financial management result in financially healthy organizations. As an example, the G&T's responsible for managing CCRs have earned "investment grade" ratings by one or more of the national financial rating services (Standard & Poor's, Moody's, Fitch).

### Changes in Cooperative Generation

As described in the USWAG comments, cooperatives like the rest of the electric power industry have dramatically removed PCBs from their fleets; coops have similarly reduced uses of asbestos. With respect to CCR, coops are reducing their reliance on coal-fired generation and increasing amounts of power from natural gas and renewables.


From 2005 to 2017, co-op natural gas combined cycle (NGCC) capacity rose from 27 percent to 40 percent and coop ownership of NGCC more than doubled from 4.8 GW to 11.6 GW, with more projects planned in the coming years. Of new capacity planned from 2019-2027 across the entire power sector, 46% is from natural gas and 48% from wind and solar. From 2014 to 2018, electric co-ops retired or converted 1.5 GW of coal capacity, with another 2.1 GW of retirements announced through 2028.

America's rural electric cooperatives and their member-owners care about the environment and its protection. Rural electric coops are also chartered to provide safe, reliable, and affordable electricity. As such, they depend on cost-effective environmental regulations.

NRECA believes EPA's proposal is cost-effective based on the agency's findings regarding (1) the electric power sector's history of taking full responsibility to finance its environmental remediation obligations; (2) the sector's financial health and stability; and (3) the robust environmental regulatory structures applicable to the sector's constituents of greatest concern.

NRECA urges EPA to finalize the conclusions of this proposed rule expeditiously. Please contact me at [Dorothy.kellogg@nreca.coop](mailto:Dorothy.kellogg@nreca.coop) if you have questions on these comments or would like additional information on America's rural electric cooperatives.

Most sincerely,



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<sup>3</sup> [www.cobank.com](http://www.cobank.com) (September 27, 2019)