



United States Department of Agriculture
Rural Development
 Committed to the future of rural communities



**Assistant Administrator's
 Corner**

Spring is in the air, and with that comes the busy building season. The Electric Program has been busy reviewing the President's 2013 Budget, and streamlining Electric Program activities to make us more efficient and effective. These programmatic activities will make us one of the most cost effective lenders in the United States.

Earlier this month I attended the NRECA annual meeting. I had the opportunity to meet with so many of you. I appreciated the time you took out of your busy schedules to meet with RUS staff. The presentations and follow up information were very helpful to us. Next month, I will be traveling with Under Secretary Tonsager to the G&T Managers Meeting.

We look forward to seeing many of you during your May visit to Washington, DC.

- Nivin Elgohary

RUS ELECTRIC QUARTERLY NEWSLETTER

Helping improve the economy and life in rural America

Volume I Issue II

PROGRAM FUNDING

The President's Budget for fiscal year 2013 has been released. Once again the Administration has recognized the important role RUS borrowers play in maintaining our rural electric infrastructure and providing critical services to rural consumers. The President has proposed a program level of \$6.1 billion for fiscal year 2013.

FISCAL YEAR 2012 LOANS AND GURANTEES						
	#	FFB \$	#	Hardship \$	#	Guaranteed Underwriter
Program Level		6,500,000,000		100,000,000		424,286,000
Approved	12	\$228,282,000	0	0	0	0

We encourage all who plan to submit a loan application this year to work with your field representative to finalize the submission. Rates are extraordinarily low at this time. The following table offers a look at approximate FFB rates as of March 1, 2012.

APPROXIMATE FFB QUARTERLY RATES (3/1/12)									
3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.08	0.16	0.22	0.34	0.47	0.92	1.41	1.91	2.51	2.64

Current rates can be seen at any time by following the link below:
http://www.rurdev.usda.gov/UEP_rates.html

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ISSUE HIGHLIGHTS

The High Energy Cost Grant Program (HECG) will announce approximately \$7 million in funding in March. Grants are available to communities with energy costs of 275% or higher, than the national average. Once the announcement has been published, applicants will have 30 days to complete and submit their application. For additional information please contact Kristi.kubista-hovis@wdc.usda.gov.

RUS streamlining activities are reducing paperwork burden on borrowers. Sections 7 CFR Parts 1724 and 1726, or the Electric Engineering, Architectural Services, Design Policies and Construction Standards, were revised last month. A link to the Federal Register Notice is as follows: <http://www.gpo.gov/fdsys/pkg/FR-2012-01-23/pdf/2012-1157.pdf>. The revised regulations amend various borrower thresholds. The effective date of this rule was February 22, 2012.

RUS involvement in the EPA Mercury and Air Toxics Standards continues. The Electric Program recognizes the impact this rule will have on our borrowers and the challenges faced in meeting the requirements in a timely manner. Staff is actively participating in a joint working group with EPA and DOE in order to identify potential issues and exploring ways to facilitate compliance. The Electric Program is using this as an opportunity to educate our sister Agencies regarding our loan program and regulatory requirements as well as our long, successful relationship with our borrowers. We will provide more detail in future issues of the newsletter.



"We are looking at ways to work more efficiently and streamline our processes to make them work better for our borrowers. We have asked our borrowers, and NRECA, for their direct input on what needs improvement. We greatly appreciate the helpful responses. We are acting upon the suggestions. We are committed to continually improving our service to you. After losing roughly 10% of our staff, these process improvements become even more critical. The only change you should see when working with us is ever improving service and output"

-Jonathan Adelstein,
Administrator

CULTURAL TRANSFORMATION

In an effort to increase morale and productivity, the Electric Program instituted one of the most progressive telework opportunities in Rural Development. Last year, a customer service survey was performed in order to enhance customer service to internal and external customers. The results of the survey will be shared with staff this month. These findings will also be used in the Electric Program's Business Process Re-engineering (BPR).

RUS is looking for ways to work more efficiently and effectively while experiencing reductions in staffing. Starting with January 2012, the Electric Program published its first newsletter to increase the flow of information to staff and RUS borrowers. We welcome any suggestions to improve the newsletter. If you know of others who wish to receive this newsletter, please forward to them.

RUS ELECTRIC STREAMLINING EFFORTS

Need your loan closing documents quickly? RUS continues our efforts to streamline our processes, reduce redundancy, and improve customer service. As part of this effort, we have implemented a new web-based system for producing distribution loan documents. As a result, we have completely eliminated our backlog of distribution loan documents needing processing. We are now able to prepare and send distribution loan documents in an average of 10 business days from the time of loan obligation!

ENGINEERING & ENVIRONMENTAL NEWS

Deirdre Morgan Remley, will be reporting on March 12, 2012 to the RUS - Engineering and Environmental Staff (EES). Deirdre will be working primarily on Electric Program projects. Deirdre is coming to RUS from a position at the National Park Service (NPS) in San Antonio, TX. Previous positions include being an owner of a small environmental consulting business whose clients included telecommunication companies, NPS, State Historic Commissions, State Departments of Transportation, and the Bureau of Land Management. In addition, she was employed at the Arizona Department of Transportation and briefly at the U.S. Forest Service. She has a Bachelor's Degree in Anthropology/Archeology from the University of California, Santa Cruz and a Master's Degree in Anthropology/Archeology from Northern Arizona University. She is a native of Los Angeles, CA.

With Deidre's wealth of working knowledge and experience dealing with sister federal/state agencies and tribes particularly on corridor-type projects she will be bringing needed skill sets and will be a welcome asset to RUS programs.

RUS ELECTRIC SUCCESS STORIES

KIUC named Solar Utility of the Year

The RUS Electric Program congratulates Kauai Island Utility Cooperative for being named Solar Utility of the Year at the Solar Power Generation USA Conference (February 2012). KIUC is actively developing renewable generation projects to meet its goal of becoming 50 percent renewable by 2030. The Electric Program is helping KIUC expand its renewable portfolio and realize its goal. KIUC efforts in developing solar photovoltaic, biomass, and hydro generation are to be commended.

Central Texas Electric Cooperative (CTEC) recently made a \$500,000 low interest loan to Sunrise Beach to help partially finance the \$3.6 million acquisition of the city's water system from the Lower Colorado River Authority. The system consists of five water wells, a treatment plant, water storage facilities, and related equipment and distribution infrastructure. The CTEC revolving loan fund was created in 1997 as part of USDA's Rural Economic Loan and Grant Program (REDLG). The REDLG program is available to current Electric Program borrowers as well as non-borrowers who are eligible for RUS financing.

“The best minute you spend is the one you invest in people”

-Ken Blanchard

PROGRAM DEVELOPMENT AND REGULATORY ACCOUNTING

The Program Accounting and Regulatory Analysis (PARA) Staff works with the Accounting and Auditing requirements for RUS' Electric Program, Telecommunications Program (which includes the Broadband, Distance Learning and Telemedicine Programs), and to a more limited extent with the Water and Environmental Program. One of our responsibilities is maintaining the Uniform System of Accounts used by the Electric and Telephone companies. For the electric program the Uniform System of Accounts is based on that issued by the Federal Energy and Regulatory Commission (FERC). We have made certain changes from FERC's system to reflect unique items related to RUS borrowers such as particular accounts used by cooperatives and RUS loan liabilities. By having these uniform accounting requirements we assure all RUS borrowers are reporting on a comparable system and are therefore evaluated on a level playing field. By conforming RUS accounting requirements with those of FERC, though the dollar amounts are different, RUS borrowers' financial statements are comparable to the largest IOUs.

Around March of each year we begin receiving the annual CPA audit reports. Among all of the RUS programs in PARA we receive approximately 2,400 CPA reports. Of the reports we received in 2011 (the first year electronic submission of audits was accepted) approximately 40% were submitted electronically. 677 of the 2400 CPA reports are from active Electric Program borrowers and 43% of the electric program audits were submitted electronically.

If you have any questions concerning accounting or audit requirements please feel free to contact your local field accountant or our Technical Accounting and Auditing Staff at 202-720-5227. Information on RUS audit and accounting requirements or locating the contact information for your state can be found at http://www.rurdev.usda.gov/UPA_Home.html.

Ken Ackerman and Jim Murray will present at the NARUC Accounting and Finance Conference. This month we welcome back Willard (Bud) Garrett, our Field Accountant covering Mississippi and Alabama who will be returning to service. He spent the last year on a voluntary assignment as a United States Agricultural Advisor in Afghanistan. Bud had done previous international work having taken time off from the government to work with NRECA in Bangladesh. When the Foreign Agriculture Service asked for volunteers with relevant international experience to work in Afghanistan, he quickly stepped forward.

CONGRESSIONAL ACTIVITY

Though little legislation has been passed since Congress returned for the spring session, USDA has been busy providing them with an extensive amount of information. In addition to the publication of the President's Budget on February 13th, Secretary Vilsack has presented at a Senate and a Congressional hearing; Energy and Economic Growth for Rural America and the President's 2013 Budget request for USDA respectively. On March 1st, Under Secretary Dallas Tonsager presented at the House Agriculture Appropriations hearing on Rural Development's 2013 Budget request. All three Rural Development Administrators were in attendance for questions, and each Administrator provided written testimony.

GENERAL FIELD REPRESENTATIVES

Dan Bowers, Electric program GFR headquartered in Boise, Idaho, retired September 30, 2011. Idaho and Montana borrowers that were previously served by Dan should contact [Denver Schlaeppi](#). Washington, Oregon, and California borrowers previously served by Dan, should contact [Eric Marchegiani](#). Don Stone's position in Mississippi is also currently vacant. Mississippi is being temporarily covered by [Cliff Burris](#) and Louisiana is being temporarily covered by [Larry McGraw](#).

*“We aim
above
the
mark
to hit
the
mark.”*

–Ralph Waldo
Emerson

CURRENT EVENTS

Agricultural Outlook Forum — On February 23 and 24, USDA held its 88th Annual Agricultural Outlook Forum in Arlington, Virginia. Speakers included Secretary Tom Vilsack, Deputy Secretary Kathleen Merrigan, Chief Economist Joseph Glauber, as well as panel discussion with former USDA Secretaries.

Mr. Glauber provided an overview of major economic trends affecting U.S. agriculture and several key points are excerpted below. He noted that the global economic recovery has slowed in 2012, but it should still be a good year for US agricultural exports with the lower dollar compensating for the expectations of slower world growth. With a slow economic recovery in the United States, U.S. agricultural products will likely remain competitively priced in global markets over the next few years.

High prices have prompted a global production response for most commodities. As a result of increased plantings and generally favorable yields, record production levels have been reached this year which have helped moderate prices for most crops. After increasing by almost 700 million bushels per year over 2005-10, corn use for ethanol has flattened and is projected to fall by 21 million bushels in 2011/12. Slowing demand for ethanol means that corn stocks will likely increase in 2011/12 assuming a return to trend yields. This should help moderate record feed grain prices. Livestock markets should see increasing margins towards the end of 2012 as the new crop is harvested bringing down feed costs. Devastating drought conditions prevailed over much of the Southern Plains causing poor yields and high abandonment rates in 2011/12. Dry conditions have persisted in the region and worsened in the Southeast. It is still premature to conclude much concerning yield prospects for 2012, however, weather will be a key concern this year, particularly in Texas.

If you wish to read more regarding the 2012 Agricultural Outlook Forum, please follow this link:

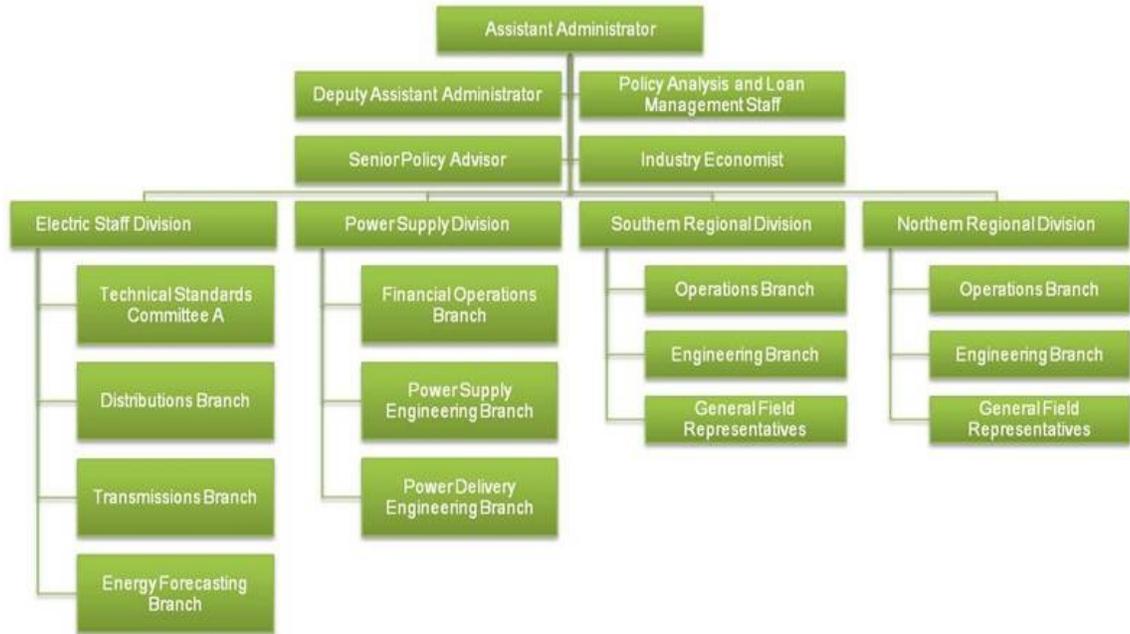
<http://www.usda.gov/oce/forum/>.

The winter meeting for the **National Association of Regulatory Utility Commission (NARUC)** was held February 5-8 in Washington, DC with the National Electricity Forum (NEF) immediately following on February 8-9. There was a record-setting attendance at both meetings. Several RUS representatives were present.

NARUC and NEF highlights included power industry demands, energy efficiency, and renewable energy. Speakers addressed several key points. Energy efficiency was referenced as “the deepest source of generation.” The power industry itself consumes 11-13% of all power produced and the industry needs to address efficiency more aggressively. Energy efficiency efforts were also recognized to be helpful in offsetting one-half to two-thirds of load growth in many service territories. The general consensus, no matter what the energy issues we face, energy efficiency should be a part of the solution.

Renewable resources, including wind, gas and solar power continue to be a major focus for future generation. One key to wind and solar success is the advancement of battery technology. There are presently projects ongoing with 9 MW of battery storage capability. Storage of this type can consume or supply load depending on the need and lends greater flexibility to project citing. The lack of emissions from renewable makes them very desirable in an increasingly environmentally regulated world.

RUS STAFF ORGANIZATIONAL CHART



CONTACT US

USDA
 Rural Development
 Rural Utilities Service Electric Program
 1400 Independence Avenue, SW
 Mail Stop 1560
 Washington, DC 20250
 Phone: 202-720-9545
 Fax: 202-690-0717

Email: RUSElectricQuarterlyNewsletter@wdc.usda.gov

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