

## SUPPORTING STATEMENT

OMB Control No. 0572-0032

### **RUS Electric Loan Application and Related Reporting Burdens**

**This is a revision of a currently approved information collection package. The RUS is including new provision to cover application and reporting burdens for Energy Efficiency type loans as authorized by Section 6001 of the 2008 Farm Bill. The agency is currently publishing a proposed rule and therefore, this package should be reviewed and filed for comment and the existing collection continued.**

#### **A. Justification**

##### **1. Explain the circumstances that make the collection of information necessary.**

The Rural Utilities Service (RUS) was established in 1994 by the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178, 7 U.S.C. 6941 et. seq.) as successor to the Rural Electrification Administration (REA) with respect to certain programs, including the electric loan and loan guarantee program authorized under the Rural Electrification Act of 1936 (7 U.S.C. 901 et seq., as amended) (RE Act).

The RE Act authorizes and empowers the Administrator of RUS to make and guarantee loans to furnish and improve electric service in rural areas. These loans are amortized over a period of up to 35 years and secured by the borrower's electric assets and/or revenue. In the interest of protecting loan security, monitoring compliance with debt covenants, and ensuring that RUS loan funds are used for purposes authorized by law, RUS requires that borrowers prepare and submit for RUS evaluation certain studies and reports. Some of these studies and reports are required only once for each loan application; others must be submitted periodically until the loan is completely repaid.

The RE Act also authorizes and empowers the Administrator of RUS to make or cause to be made, studies, investigations, and reports concerning the condition and progress of the electrification of the several States and Territories; and to publish and disseminate information with respect thereto. Information supplied by borrowers forms the basis of many of these reports.

##### **2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the Agency has made of the information received from the current collection.**

The required information is submitted by applicants to the RUS General Field Representative or to the RUS Washington, DC office and is used by RUS to:

- Determine the eligibility of applicants for loans and loan guarantees under the RE Act;

- Monitor the compliance of borrowers with debt covenants and regulatory requirements in order to protect loan security;
- Ensure that borrowers use loan funds for purposes consistent with the statutory goals of the RE Act; and
- Obtain information on the progress of rural electrification and evaluate the success of RUS program activities.

The information needed to determine eligibility for loans is required as part of a loan application. The information needed to monitor compliance with debt covenants and other requirements is required periodically.

The specific items of burden and their uses are as follows:

### **Checklist for Electric Loan Application**

The first page of the application shall be a list of documents included in the application. Borrowers may use RUS Form 726, Checklist for Electric Loan Application, for this purpose.

### **Transmittal Letter**

This letter is part of an application for an RUS loan. It is the formal request by the borrower's management for loan funds. It must address the need for flood hazard insurance, provide a breakdown of the requested loan funds by State, list the counties served by the borrower, list any potential actions by third parties that could adversely affect the borrower's financial condition, and list pending regulatory actions pertaining to the borrower, and include the borrowers DUNS number.

### **Board Resolution**

The borrower will submit a board resolution as part of the application package. The board resolution serves as the formal request by the borrower's board of directors for a loan from RUS. The board resolution shall include: the requested loan amount, loan term, final maturity, and method of amortization; sources and amounts of any supplemental or other financing; authorization for RUS to release appropriate information to supplemental or other lender(s) and authorization for these lender to release appropriate information to RUS; and the type of loan or loan guarantee the borrower is requesting (municipal rate, direct treasury rate loan, hardship loan, or loan guarantees). RUS does not require that this document be prepared in a certain format, however, the Agency does make sample board resolutions available on its website.

### **RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers**

This form together with its attachments lists the construction, equipment and facilities and other cost estimates from the construction work plan or engineering and cost studies and the sources of financing for each component. The following information will be attached to the Form 740c:

description of funds and materials; useful life of facilities financed by the loan; reimbursement schedule; and location of consumers. Each of these attachments is explained at 7 CFR 1710.401(a)(3).

### **RUS Form 740g, Application for Headquarters Facilities**

This form is used to list the individual cost estimates from the construction work plan or other engineering study that support the need for RUS financing for any office, warehouse and service type facilities included.

### **Financial and Operating Report for Distribution Borrowers (formerly RUS Form 7) and Financial and Operating Report for Power Supply (formerly RUS Form 12)**

These collections serve two purposes. A submission containing recent month end data is submitted as part of an application for a RUS loan; the information is used to evaluate the borrower's creditworthiness. An annual submission, which is required by the borrower's mortgage, is used to monitor loan security, verify compliance with debt covenants and statutory requirements, and compile the Agency's annual reports. Borrowers are submitting this data using the Data Collection System (DCS). The DCS provides electronic signature capability, eliminating the need for a signed certification with the operating report submission and uses standard web page technology.

DCS has been modified to allow for additional data collection on delinquencies related to the Energy Efficiency Program, which increased burden by 1 hour for the Financial and Operating Report for Distribution Borrowers

### **Energy Efficiency (EE) Business Plan**

An Eligible EE Program must have a business plan for implementing the program. The business plan must have the following elements: Executive Summary, Organizational Background, Marketing Plan Operations Plan, Financial Plan and Risk Analysis.

### **Energy Efficiency Quality Assurance Plan**

An Eligible EE Program must have a quality assurance plan as part of the program. The quality assurance plan will address Quality Assurance Estimates, Energy Audits, use of certified equipment installers, performance tests and monitoring of contractor performance.

### **Analytical Support Documentation**

In addition to a business plan and operations plan, a request for EE program approval must include analytical support documentation. This documentation assures RUS of the operational and financial integrity of the energy efficiency program. This documentation must include, but is not necessarily limited to, the following:

- A comparison of the utility's projected annual growth in demand after incorporating the EE Program together with an updated baseline forecast on file with RUS
- An itemized estimate of the energy savings and peak demand reduction
- An evaluation of the Cost effectiveness of each category of eligible activities and investments to be pursued under the EE Program
- A report of discussions and coordination conducted with the power supplier, An estimate of the amount of direct investment in utility-owned generation that will be deferred as a result of the EE Program
- A description of efforts to identify state and local sources of funding and Copies of sample documentation used by the utility in administering its EE Program.
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### **Statements from Counsel**

Statements from the borrower's counsel are part of an RUS loan application. The information may be submitted as a single statement addressing all three items, or as separate statements. The three statements are as follows:

- **Pending Litigation**

A list of pending litigation and potential effects on the borrower is necessary to determine the borrower's creditworthiness and the risk of the proposed loan.

- **Mortgage Information**

Mortgage information, including a property schedule, is needed for loan security. RUS generally has a first mortgage on the borrower's total electric system, and an accurate and up to date description of real property is necessary to prepare the mortgage. The statement must list the counties served by the borrower and all of the borrower's real property. In addition, the statement must state that the new loan will not cause the borrower's total debt to exceed the maximum debt limit established by its board of directors.

- **State Regulatory Approvals**

Evidence that the State Regulatory Commission will allow the facilities financed to be included in the borrower's rate base is necessary to determine loan feasibility.

### **Articles of Incorporation and Bylaws**

A copy of each is required as part of an RUS loan application if either has been amended since the borrower's last loan application or if this is the borrower's first loan.

### **Rate Data**

If the borrower is applying under the rate disparity and consumer income tests for either a municipal rate loan subject to the interest rate cap or a hardship rate loan, the application must provide a breakdown of residential consumers either by county or by census tract. In addition, if the borrower serves in 2 or more states, the application must include a breakdown of all ultimate consumers by state. This breakdown may be a copy of Form EIA 861 submitted by the borrower to the Department of Energy or in a similar form.

### **Area Coverage and Line Extension Policies (Distribution Borrowers Only)**

A copy of the borrower's policies on area coverage and line extension is necessary to help ensure that RUS loan funds are used for purposes consistent with the RE Act.

### **Long Range Financial Forecast and Board Resolution**

The financial forecast includes such items as pro forma financial statements, goals for key financial ratios, projected cash flows, estimated future capital needs, and projected costs and revenues. Underlying assumptions must be stated and the forecast must be approved by the borrower's board of directors and be accompanied by a certified board resolution. This information is prepared by any prudent business contemplating a capital investment project. The forecast is used by RUS to evaluate the borrower's strength and stability in order to assess its ability to repay a loan. RUS requires distribution borrowers to follow the format of RUS Form 325; however, borrowers are permitted to use a computer program to prepare the information as long as the output is provided in the same format as RUS Form 325. RUS does not prescribe a format for generation and transmission (G&T) borrowers.

### **Load Forecast (LF) and Board Resolution**

A LF must be submitted in support of a RUS loan application if required by current regulations. It must be maintained by the borrower and updated periodically. The LF is used by RUS in conjunction with other studies to evaluate loan feasibility and to help ensure that the most effective use is made of loan funds. The LF must be approved by the borrower's board of director's and be accompanied by a certified board resolution. The information required in a LF is maintained by any prudent electric utility in its normal course of business and is required in many States by regulatory authorities for rate setting and other purposes.

## **Construction Work Plan (CWP), Related Engineering Studies, and Board Resolution**

A CWP must be submitted in support of a RUS loan application. In addition, all RUS borrowers must maintain a current CWP covering most new construction, improvements, replacements, and retirements of distribution, transmission, and generation plants that are financed by RUS loan funds. The CWP is developed by borrowers to determine their short and long term needs for plant. It is used by RUS in conjunction with other studies to evaluate loan feasibility and to help ensure that the most efficient use is made of loan funds. The CWP must be approved by the borrower's board of director's and be accompanied by a certified board resolution. Most of the information required in the CWP is prepared by any prudent business contemplating a capital investment project. In many States the information is required by regulatory authorities for rate setting and other purposes.

## **Energy Efficiency Work Plan (EEWP), Related Engineering Studies, and Board Resolution**

An EEWP must be submitted in support of a RUS loan application. In addition, all RUS borrowers must maintain a current EEWP covering energy efficiency investments that are financed by RUS loan funds. The EEWP is developed by borrowers to determine their short and long term needs for an energy efficiency program. It is used by RUS in conjunction with other studies to evaluate loan feasibility and to help ensure that the most efficient use is made of loan funds. The EEWP must be approved by the borrower's board of director's and be accompanied by a certified board resolution. Most of the information required in the EEWP is prepared by any prudent business contemplating a capital investment project in energy efficiency.

## **Alternative Sources of Power Statement**

This is part of an application for a RUS loan if the borrower is seeking to use loan funds for new generation facilities. The requirement ensures that full consideration is given to the possibility of obtaining needed power from other suppliers, including independent power producers before adding capacity financed by government loans. Most of the information is prepared by any prudent utility as part of its strategic planning. In many States it is required by a State regulatory authority.

## **Equal Opportunity and Nondiscrimination**

- **RUS Form 266, Compliance Assurance**

This form is used to inform borrowers of their responsibilities under the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, and the Age Discrimination Act of 1975. This form is required with each loan application.

- **Standard Form (SF) 100, Equal Employment Opportunity Employer Report.**

The form is required by the Department of Labor and sets forth employment data for borrowers with 100 or more employees. A copy of this form, as submitted to the

Department of Labor, is to be included in the application for a loan if the borrower has more than 100 employees. (The time attributed to this form is the time that it takes the borrower to provide RUS with a copy of the completed form.) This form is cleared under 3046-0007.

### **Debarment and Suspension**

- **Form AD-1047, Certification Regarding Debarment, Suspension and Other Responsibility Matters – Primary Covered Transactions**

The statement certifies that the borrower will comply with certain regulations on debarment and suspension required by Executive Order 12549, Department and Suspension and 2 CFR 180.

### **Uniform Relocation Act**

This assurance, which will be submitted only once by each borrower, provides that the borrower shall comply with 49 CFR part 24, which implements the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970, as amended by the Uniform Relocation Act Amendments of 1987 and 1991.

### **Lobbying**

The following information on lobbying is required pursuant to 7 CFR Part 3018:

- **Certification Regarding Lobbying**

The statement certifies that the borrower shall comply with certain requirements with respect to restriction on lobbying.

- **SF LLL – Disclosure of Lobbying Activities**

The disclosure form is required from those borrowers engaged in lobbying activities. This form is cleared under 0348-0046.

### **Federal Debt Delinquency Requirements**

Prior to approval of a loan or advance of funds, a borrower must report to RUS whether or not it is delinquent on any Federal debt. Applicants for a loan or loan guarantee must also certify that they have been informed of the collection options the Federal government may use to collect delinquent debt.

### **Environmental Report (ER)**

In accordance with 7 CFR 1794, a borrower must submit an ER before undertaking any project that is expected to have a significant effect on the environment. If the proposed project involves RUS loan funds, the ER must be submitted in support of the loan application. The ER provides RUS with information to evaluate the environmental effects of the proposed construction, including conformance with applicable laws, executive orders and regulations. The ER provides RUS with information to evaluate the environmental effects of the proposed construction, including conformance with applicable laws, executive orders, and regulations. The laws include, but are not limited to: the National Environmental Policy Act, Endangered Species Act, National Historic Preservation Act, Farmland Protection Policy Act, Coastal Barrier Act, and the Resources Act. Information submitted to another Federal Agency or to a state agency may be used in lieu of a ER. The ER must be approved by the Borrower's board of directors. The specific burden for this item is cleared under 0572-0117.

### **Seismic Safety Acknowledgments**

In accordance with 7 CFR 1792, the borrower shall provide written acknowledgment from a registered architect or engineer responsible for the design stating the seismic provisions will be used in the design of the building. The specific burden for this item is cleared under 0572-0099.

### **3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collection.**

RUS is committed to meeting the requirements of the E-Government Act, which requires Government agencies in general to provide the public the option of submitting information or transacting business electronically to the maximum extent possible. Most of the forms associated with this collection are fillable and printable on the USDA eForms website.

RUS continues to request approval to post Forms 726, 740c, and 325 on the agency's website as the agency works towards making these available on the eForms website. These forms are available in a printable Adobe Format and in a fillable Microsoft Excel format. Continued approval of the Data Collection System (<https://dcs.egov.sc.usda.gov>) for electronic submission of Financial and Operating Report for Power Supply and Financial and Operating Report for Distribution Borrowers, is requested. In addition, the required certification, statements, and board resolution are provided in electronic sample formats on the agency website.

RUS is currently involved in an Agency wide effort to make our programs more accessible, this includes applications, forms, etc. that can be completed online. Though these activities will not be completed by the time the regulation is finalized, they will be adapted once the required tests have been completed and the system is ready to go live.

### **4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**



The information required by this collection is available only from individual borrowers and much of it is project specific. Much of the information is collected and analyzed by any prudent business in the course of its operations, and some is prepared by an electric utility as part of a petition to its State Regulatory Authority. Whenever possible RUS accepts copies of documents the borrower has prepared for another purpose.

The Department of Energy (DOE) collects some information about RUS electric borrowers. Where possible, RUS relies on DOE data.

**5. If the collection of information impacts small businesses or other small entities (item 5 of OMB Form 83-1), describe any methods used to minimize burden.**

All but 10% of the electric borrowers meet the Small Business Administration criteria for a small business. RUS has made every effort to ensure that the burden on these small entities is the minimum necessary to effectively administer the agency programs.

**6. Describe the consequences to Federal program or policy activities if the collection is not conducted or conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

Information needed for evaluating loan applications is required only once for each application. Information necessary to monitor loan security and compliance with RE Act purposes and information necessary to publish reports is required periodically. Less frequent collection would not allow RUS to accomplish statutory goals.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

**a. Requiring respondents to report information more than quarterly.**

There are no requirements to respond more than quarterly.

**b. Requiring written responses in less than 30 days.**

There are no requirements to respond in less than 30 days.

**c. Requiring more than an original and two copies.**

There are no requirements to submit more than an original and two copies.

**d. Requiring respondents to retain records for more than 3 years.**

There are no requirements to retain records for more than 3 years. Record retention requirements for the Financial and Operating Report for Power Supply and Financial and Operating Report for Distribution Borrowers, shall be in accordance with 7 CFR 1767.

- e. **That is not designed to produce valid and reliable results that can be generalized to the universe of study.**

This collection does not involve a survey.

- f. **Requiring use of statistical sampling which has not been reviewed and approved by OMB.**

This collection does not involve statistical sampling.

- g. **Requiring a pledge of confidentiality.**

There is no requirement for a pledge of confidentiality.

- h. **Requiring submission of proprietary trade secrets.**

There is no requirement to submit proprietary trade secrets.

**8. If applicable, identify the date and page number of publication in the Federal Register of the agency's notice soliciting comments on the information collection. Summarize public comments received and describe actions taken by the agency in response to these comments. Describe efforts to consult with persons outside the Agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, reporting format (if any), and on data elements to be recorded, disclosed, or reported.**

As required by 5 CFR 1320.9(d), a Notice to request public comments will be published in the Proposed Rule and any comments received will be summarized and addressed in the information collection package submitted at the final rulemaking stage.

**9. Explain any decision to provide any payment or gift to respondents, other than reenumeration of contractors or grantees.**

There is no provision to provide payments or gifts to respondents.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or Agency policy.**

No assurances of confidentiality have been provided.

**11. Provide additional justification for any question of a sensitive nature, such as sexual behavior or attitudes, religious beliefs, and other matters that are commonly considered private.**

There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information.**

The total hour burden for this collection of information is estimated to be 68,049 hours and was derived as follows:

Number of respondents: As of December 31, 2010, RUS had 650 active borrowers. Of these 594 are distribution borrowers, and 56 are power supply borrowers, also known as “generation and transmission borrowers” or “G&Ts.”

Total burden: This information collection involves a total of 68,049 burden hours. The burden hour estimate for each component of this information collection is shown in the spreadsheet included with this package.

Annualized cost to respondents: RUS estimates that approximately 80 percent of the time required to prepare and submit this information 54,439 hours is professional time costing \$45 per hour, and the balance 13,610 hours is clerical time costing \$15 per hour. In addition, RUS estimates that approximately \$2 per hour is spent for paper and other supplies. Therefore, the cost is estimated as follows:

Professional time	54,439 hours@ 45	\$2,449,755
Clerical time	13,610 hours @ \$15	\$ 204,150
Supplies	66,695 hours @ \$2	\$ 133,390
Total		\$2,787,295

**13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection of information.**

**(a) Total capital and start-up cost component (annualized over its expected useful life); and**

There are no capital or start-up costs associated with this collection.

**(b) Total operation and maintenance and purchase of services component.**

There are no operation and maintenance or purchase of services component associated with this collection.

**14. Provide estimates of annualized cost to the Federal Government.**

The cost to the Federal Government is estimated as follows:

Review of loan applications

GS Grade 13 step 5 @ \$48.35 X 164 hours X 200 loans = \$1,585,880

Yearly review of financial and statistical information

GS Grade 13 step 5 @ \$48.35 X 4 hours X 650 submissions = \$125,710

Additional costs associated with this collection of information include travel, training, printing and mailing costs of \$5,000. This figure was estimated as follows:

\$25 per loan X 200 loans = \$5,000

Therefore, a total annual cost to the Federal Government of \$1,716,590 is associated with this collection.

**15. Explain the reasons for any program changes or adjustments reported in items 13 or 14 of the OMB Form 83-1.**

This is a revision of an existing collection. There is an increase of 1,354 hours due to the new purpose of Energy Efficiency loans. The Energy Efficiency program is a Statutory change authorized by the 2008 Farm Bill. From conversations with potential borrowers, we believe we will have approximately 20 applications for energy efficiency purposes. The Business and Quality Assurance Plan are assumed to already be in existence, edits will be minor (take 2 hours per applicant). The Analytical Supporting Documents requires additional information that the borrower will have to collect and coordinate, we expect 30 hours for each application. The information readily exists for the borrower, but it most likely is not in one single document. The EEWP is estimated at 4 hours, as it information from the Business Plan reformatted over a schedule. In addition, in order to collect delinquency information related to the Energy Efficiency program, Part P is being added to the Operating Report for Distribution Borrowers and will increase burden by 594 hours.

**16. For collection of information whose results will be published, outline plans for tabulation and publication.**

RUS' Statistical Report is a compilation of operating information and is based in part on financial and operating reports for Power Supply and Distribution Borrowers (formerly known as RUS Form 7 and 12) submitted by borrowers. It is published annually and is available from the Superintendent of Documents.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

RUS requests approval to not display the expiration date on the forms that are associated with this collection of information. Many borrowers reproduce these forms or maintain these forms electronically to meet their reporting needs in lieu of requesting copies directly from RUS. Past

experience has shown that the expiration date is not updated on the forms when it changes every three years. Also, RUS incurs additional cost for design and reprinting of stock with each new OMB extension.

**18. Explain each exception to the certification statement identified in item 19 on OMB 83-1.**

There are no exceptions to the certification statement.

**B. Collection of Information Employing Statistical Methods.**

This collection of information does not employ statistical methods.