

SUPPORTING STATEMENT
0572-NEW

7 CFR Part 1710, Rural Determination and Financing Percentage

NOTE TO REVIEWER: The burden addressed in this supporting statement is part of a Proposed Rulemaking that affects an already established Information Collection Docket (0572-0032). Upon OMB approval of the final rule RUS will merge the burden hours and forms in this collection into currently approved 0572-0032. After OMB approval of the merge into 0572-0032, RUS will then submit a discontinuation notice for this collection to avoid duplication.

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 hours included in this information collection package are attributable to new entities using the new methods to determine Rural Percentage. These entities will still be required to file a regular loan application (cleared under 0572-0032 and noted in the chart below*) and include the documentation used to determine the rural percentage

Documentation for Determining Rural Percentage

As stated in question 1, the RE Act authorizes and empowers the Administrator of RUS to make and guarantee loans to furnish and improve electric service in rural areas. Accordingly, the rural percentage of utilities that benefit from loans made or guaranteed must be determined prior to funding.

RUS envisions an applicant may be a developer seeking financing for one or more generating assets that will provide power to a utility or the applicant may be a utility. If the applicant is a developer, it will be the applicant's responsibility to work with the off-taking utility to develop a report that estimates the utility's Rural Percentage. Likewise, if the applicant is a utility a similar finding must be made.

The RE Act was amended by the 2008 Farm Bill to allow the service area of borrowers with RUS mortgages prior to June 2008 to be considered 100 percent rural.

RUS is proposing four ways in which the Rural Percentage can be determined for the remaining borrowers. The method selected will depend on consumer data that is available at the time of application from the off-taking utility and the type of facility being financed. They are as follows:

- **Method R1** GIS data are used to overlay meter locations onto population maps. The Rural Percentage under this method is calculated as rural meters divided by total meters in the off-taker's service area.
- **Method R2** This method is similar to Method R1 but it also takes into account the load at the meter locations. The Rural Percentage under this method is calculated as rural load divided by total load.
- **Method R3** This method is to be used only when the service area is known, but the exact locations of meters are not known. The Rural Percentage is calculated using an estimated total population and known urban population using population and housing data from the Census Bureau as well as information from other sources acceptable to RUS and may incorporate reasonable assumptions when all facts are not available. The Rural Percentage using this method shall be equal to the fraction that results from dividing the rural population by the total population.

- Method R4** This method looks at load flows in and around the actual location of a proposed generating plant. A boundary, or polygon, is determined which coincides with the area beyond which power from the proposed plant does not flow during low consumer demand conditions. Low consumer demand in this case is when power from the outside must be imported to meet the total demand in this geographic area. This boundary is consistent with the presumption that all of the power generated from the plant is consumed within this area during low consumer demand conditions. This method should only be used for projects serving loads that are approximately 50 MW or less located in rural areas.

Applicants will be required to provide the results and the method used to obtain the results as support for loan applications.

*Summary of Application Materials (cleared under 0572-0032)

Item	Form #/Written Burden
Borrower Checklist	RUS Form 726
Transmittal Letter	Written
Board Resolution	Written
Cost Estimates and Loan Budget for Electric Borrowers	RUS Form 740c
Application for Headquarters Facilities	RUS Form 740g
Financial and Operating Report for Distribution Borrower or Power Supply Borrowers	Electronic Submission
Various Statements from Counsel	Written
Rate Data	Written
Area Coverage and Line Extension Policies	Written
Loan Range Financial Forecast and Board Resolution	RUS Form 325 a-k
Load Forecast and Board Resolution	Written
Construction Workplan, Related Engineering Studies and Board Resolution	Written
Alternative Sources of Power Statement	Written
Compliance Assurance	RUS Form 266
Equal Employment Opportunity Employer Report	SF-100
Certification regarding Debarment	AD-1047
Uniform Relocation Act	Written
Certification Regarding Lobbying and Disclosure of Lobbying Activities	Written and SF-LLL
Federal Debt Delinquency Requirements	Written

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 makes its forms available in PDF format on the Rural Development Website at http://www.rurdev.usda.gov/UP_ETPW_Forms.html.

The Agency has begun work through its RUS21 initiative to develop a loan origination system which will be part of RD's Common Loan Program. The loan origination system will allow RUS customers to apply electronically. The Agency is in the early planning stages at this time.

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 3,088 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." No additional information will be collected from existing borrowers unless these borrowers acquire new service territory. RUS, however, expects to receive funding requests from 10 new borrowers (5 distribution borrowers and 5 G&T borrowers) because of the changes being proposed.

Total burden: This information collection involves a total of 3,088 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, 2,470 hours, is professional time costing \$45 per hour, and the balance, 618 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	2,470 hours@ \$45	\$ 111,150
Clerical time	618 hours @ \$15	\$ 9,270
Supplies	3,088 hours @ \$ 2	<u>\$ 6,176</u>
Total		\$ 126,596

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 10 loans = \$79,294

Yearly review of financial and statistical information:

GS Grade 13 step 5 @ \$48.35 X 4 hours X 10 submissions = \$8,703

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

$$\text{\$25 per loan} \times 10 \text{ loans} = \text{\$250}$$

Therefore, a total annual cost to the Federal Government of \$88,247 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 new collection.

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.

No such approval is requested.

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

There are no exceptions to the certification statement.