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# Government-Funded Global Warming: The Rural Utilities Service's Dirty Secret

**A**t the same time Congress is starting to seriously debate global warming, it is continuing to fund a fleet of new, federally-sponsored coal-fired power plants that would be the largest new source of global warming pollution in America. Under the auspices of the Rural Utilities Service (RUS), Congress is plowing ahead on a course that would wipe out the global warming cuts proposed in states, cities, and in recently-enacted federal legisla-

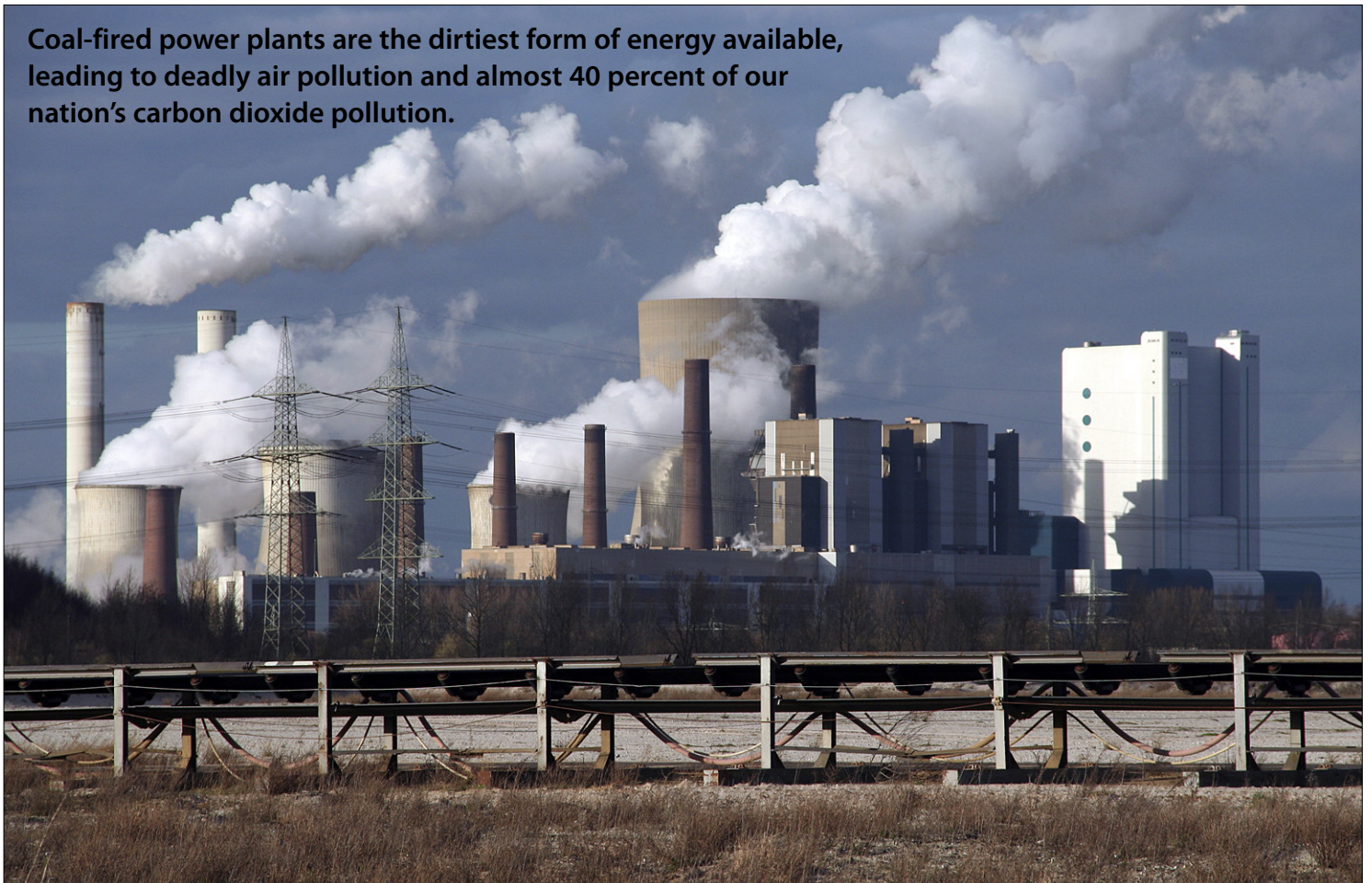
tion. This path wed us to the technology of years past and prevents our country from shifting to a cleaner, cheaper, smarter energy future.

## Stopping Government-Funded Global Warming

Scientists agree that America needs to cut its global warming emissions 80 percent by 2050, an achievable two percent a

year, to avoid the worst consequences of global warming. Because coal is the most carbon intensive power source,<sup>1</sup> we cannot achieve steady reductions in global warming pollution if we build more dirty coal-fired power plants. Given these plain facts, the government should stop funding new coal plants and redirect RUS's efforts to clean energy development across rural America. Without federal monies subsidizing dirty coal,

**Coal-fired power plants are the dirtiest form of energy available, leading to deadly air pollution and almost 40 percent of our nation's carbon dioxide pollution.**



many co-ops and private investors would instead look to energy efficiency and renewable energy sources to meet their local power needs. This move would also help bring the RUS back to its roots, developing local power supplies that are accountable to local consumers.

Shifting away from government-funded dirty coal power and toward cleaner and abundant renewable energy resources would spark a new energy future filled with green jobs, rural economic development to help ailing farmers, and lower taxpayer risks from loan defaults. Wind and other renewable energy sources can bring additional income to farmers and rural communities, preserving the founding purpose of the RUS. In fact, placing wind turbines on a 250-acre farm could bring an estimated \$14,000 per year in additional income, all while removing only two to three acres of land from crop production.<sup>2</sup>

Government funding for new coal plants also threatens to drive up electricity costs in rural America. In addition to the inevitability of legislation to tax or cap carbon emissions, the cost of building a new coal plant that controls its global warming emissions is already more than twice as expensive as wind and solar, and construction costs for all types of coal plants are soaring.<sup>3, 4</sup>

In 2007 Congress took the first steps to fight global warming, but these gains will be lost if Congress does not act quickly to block RUS funding for more coal-fired power plants. Rather than funding the energy of the past, the RUS can and must help rural electric cooperatives across America harvest the nation's clean, abundant, and affordable homegrown resources, such as wind and solar power, and move beyond coal and more global warming.

### **Proud History: Bringing Power to Rural Communities**

In the early 1930s, only a fraction of rural households in the United States could access the electric grid. Private energy companies that typically catered to densely populated urban areas were re-

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luctant to extend power to rural areas because they believed they could not turn a profit. The tides turned, however, with the establishment of the Rural Electrification Agency (REA) during the New Deal era.

Established by President Franklin Roosevelt, the mission of the REA was to provide farmers and rural communities access to the electric grid. Instead of directly competing with private companies, REA provided direct loans and, later, loan guarantees to local electric co-ops. The program was a quick success, and by the end of the decade REA had facilitated grid access for 288,000 households, increasing the percentage of rural households on the grid from 10 percent in the early 1930s to 25 percent by the end of the decade.<sup>5</sup>

By 1953, more than 90 percent of U.S. farms had access to the power grid, and the main focus of the agency shifted to extending telephone service to rural areas.<sup>6</sup> Eventually, Congress recognized the REA's transition to providing services beyond grid access and renamed it the Rural Utilities Service. Housed under the Rural Development Bureau at the United States Department of Agriculture, the RUS provides water and waste service, telecommunications service, and electric service. Today there are over 900 electric co-ops across the nation, many of which were created or expanded with help from the RUS.<sup>7</sup>

### **The Rural Utility Service's Dirty Secrets**

Over time, the RUS has shifted its attention from power distribution to building

new power plants. Small electric distribution co-ops have been lured into forming larger alliances, generation and transmission co-ops (G&T co-ops), to build and operate their own power plants with financial assistance from RUS. The individual distribution co-ops typically enter into "all-requirements" power supply contracts for the lifespan of an RUS-financed power plant. These contracts stipulate that in exchange for the plant generating enough electricity to meet the needs of member co-ops, the member co-ops agree to purchase electricity exclusively from the G&T plant or other federal sources. In theory, these contracts help provide funding security for RUS loans and loan guarantees.

Due to this funding relationship, the RUS plays a major role in determining the power source for G&T co-ops: without RUS funding, co-ops historically would not have been able to finance, construct, and maintain power plants. In the past, RUS consistently favored coal-fired power plants, the dirtiest energy source available.<sup>8</sup>

In the early days of the RUS in the 1930s before public awareness about air pollution, global warming and destructive mining practices, coal-fired power plants appeared a reasonable option to power rural America. Throughout much of the 20th century constructing coal-fired power plants was also viewed as relatively cheap. That has all now changed. Coal-fired power plants are the dirtiest form of energy available, leading to deadly air pollution and almost 40 percent of our nation's carbon dioxide pollution, the prime global warming pollutant.<sup>9</sup> And, coal mining and coal wastes poison and destroy our land, water, and communities.

Today, RUS has no excuse for choosing to fund dirty coal-fired power plants over cleaner alternatives such as wind, solar and biomass.

In addition to favoring dirty energy, the Rural Utilities Service has a checkered financial history that puts taxpayers at risk while funding new major sources of global warming pollution. In an investigation into the RUS in the late 1990s, the Government Accountability Office (GAO) found that borrowers who were delinquent in payments, at risk for defaulting or otherwise in financial distress owed almost half of electric loan portfolio debt.<sup>10</sup> More recently, the GAO discovered that the RUS consistently writes off debts or restructures repayment schedules to accommodate risky borrowers. For example, the GAO estimated that by the end of 1999, \$19 billion of the \$28 billion electric loan portfolio would need to be renegotiated due to problems with repayment.<sup>11</sup> The GAO predicted more troubled waters in the years to come, noting that increased competition in the electricity industry leads to even greater risk of losses to the federal government.<sup>12</sup> Every time a recipient of an RUS loan or loan guarantee defaults on a loan or RUS writes off a debt, taxpayers foot the bill.

Beyond the costs, the current mission of the RUS and its focus on massive coal plant projects has also been called into question in recent years. In a recent evaluation, the Office of Management and Budget suggested that the RUS has started issuing electric loans for projects that provide electricity to urban areas.<sup>13</sup> In response, the Bush administration proposed eliminating financing of new, base-load generation plants as well as limiting financing to geographically isolated areas.<sup>14</sup> Unfortunately, Congress continues to add funding for new coal plants back into RUS's budget due to lobbying pressures.



#### FOOTNOTES

- 1 U.S. DOE and U.S. EPA, "Carbon Dioxide Emissions from the Generation of Electric Power in the United States," July 2000.
- 2 American Wind Energy Association, "Wind Energy and the Economy Website," accessed January 2008. [http://www.awea.org/faq/wwt\\_economy.html](http://www.awea.org/faq/wwt_economy.html)
- 3 Bob Secter and Kristen Kridel, "Illinois lands clean-coal plant; But White House warns of rising costs," Chicago Tribune, December 18, 1007.
- 4 Xcel Energy, "2007 Colorado Resource Plan," November 15, 2007. Table 1.7-1
- 5 Franklin and Eleanor Roosevelt Institute New Deal Network, "TVA: Electricity for All," accessed January 2008. <http://newdeal.feri.org/tva/tva10.htm>
- 6 U.S. Department of Agriculture, "A Brief History of the Rural Electric and Telephone Programs," April 1982. <http://www.rurdev.usda.gov/rd/70th/rea-history.pdf>
- 7 National Rural Electric Cooperative Association, "About Co-ops," accessed January 2008. <http://www.nreca.org/AboutUs/Co-op101.htm>
- 8 Steve Mufson, "Federal Loans for Coal Plants Clash With Carbon Cuts," Washington Post, May 14, 2007.
- 9 U.S. EPA, "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2005," April 2007. Tables 3-1 & 3-3.
- 10 U.S. GAO, "Rural Development: Financial Condition of the Rural Utility Service's Electricity Loan Portfolio," Testimony before the U.S. Senate Committee on Agriculture, Nutrition, and Forestry, July 1997. <http://www.gao.gov/archive/1997/rc97198t.pdf>
- 11 U.S. GAO, "Report to Congressional Requesters: Impact of RUS's Electricity Loan Restructurings," September 2000. <http://www.gao.gov/archive/2000/ai00288.pdf>
- 12 Ibid.
- 13 Office of Management and Budget, "The Rural Electric Utility Loans and Guarantees Assessment," 2004. <http://www.whitehouse.gov/omb/expectmore/summary/10000456.2004.html>
- 14 President of the United States, "Budget of the United States Government, Fiscal Year 2008." <http://www.whitehouse.gov/omb/budget/fy2008/budget.html>