



National Rural Electric  
Cooperative Association

A Touchstone Energy Cooperative

July 14, 2011

Michele Brooks  
Director, Program Development and Regulatory Analysis  
Rural Utilities Service  
STOP 1522 Room 5162  
U.S. Department of Agriculture  
1400 Independence Ave., S.W  
Washington, DC 20250 – 1522

Docket No. RUS-10-Electric-0001

Dear Ms. Brooks:

The National Rural Electric Cooperative Association (NRECA) is the national service organization for more than 900 not-for profit rural electric utilities that provide electric energy to approximately 43 million consumers in 47 states or 12 percent of the population. We are pleased for the opportunity to comment on this proposal, and, on behalf of our membership, make the following comments to this proposal.

The Rural Utilities Service (RUS) has made a good step in the right direction in this proposal. RUS has proposed to increase the dollar limit on contracts that will not require RUS review and approval. For example, distribution contracts below \$1 million, generation contracts below \$5 million, and transmission contracts below \$1 million, will no longer be required to be submitted to RUS for approval prior to encumbering funds. NRECA suggests that the amounts in the proposal be established as a "base case," and escalated annually using the Handy Whitman Index of Public Utility Construction Costs. Use of the index would increase (or could theoretically decrease) the threshold amounts without requiring further revisions to the regulation and the staff time associated with such revisions.


Throughout the notice, it mentions that RUS forms may be used for contracts not requiring RUS approval. NRECA believes this statement is unnecessary, as a contract not subject to RUS review and approval can use any form the borrower chooses, including the RUS form. If a borrower elects to use an RUS form, the statement in the forms that notes the requirement for RUS approval should be deleted. Furthermore, the final regulation should clarify that contracts not subject to RUS approval are not to be submitted to RUS for review and comment. NRECA is aware of some situations where RUS staff continue to request submittal of the contracts for review even though such contracts are not subject to RUS review and approval.

Alternatively, if RUS believes it is important to remind borrowers of the option to voluntarily use an RUS form when not required, then NRECA believes this reminder could be stated more precisely to avoid confusion. Specifically, NRECA suggests: "A borrower's voluntary use of an RUS form contract when not required by this regulation does not subject the contract to RUS review and approval."

Paragraph 1726.125(b)(2) – states that contracts subject to RUS approval must use formal or informal competitive bidding. NRECA members report that there are many contracts for which these bid procedures are not practical. NRECA recommends that a statement be added to the regulation that allows the borrower to seek RUS' prior permission to use negotiated bidding in such circumstances, such as where the borrower would be unable to obtain bids due to vendor objections to the language.

Thank you for the opportunity to comment on this proposal, passage of which should free up valuable RUS staff time while making contract encumbrance easier and quicker for all electric borrowers.

Sincerely,

A handwritten signature in black ink that reads "John Holt". The signature is written in a cursive, flowing style with a large initial "J" and "H".

John Holt, P.E.

Senior Manager, Generation and Fuels  
National Rural Electric Cooperative Association