



Rural Development

September 5, 2013

Rural Utilities Service

1400 Independence
Ave SW, Stop 1510
Washington, DC
20250

Voice 202.720.9540
Fax 202.720.1725

To: **All Electric Program Borrowers**

Subject: **Adjustment of Certain Financial Ratios when Electric Cooperatives are Involved in Rural Utilities Service Relending Activities**

As the Administrator for the USDA, Rural Utilities Service I am committed to improving the quality of life and economic stability as it affects rural utilities and their consumers. **This includes a strong concern for rural communities.** I have traveled through your service areas over the past several months and had the opportunity to speak with so many of you. I have learned that you also share my concern for the rural American community. It is difficult to be successful if those rural communities are not healthy and economically strong.

RUS can benefit rural communities through our partnerships with the Rural Economic Development Loan and Grant Program, the Intermediary Relending Program, and the Rural Utilities Services Proposed Energy Efficiency and Conservation Loan Program.

I understand that there may be some issues within the Rural Utilities Program reporting requirements that may discourage your participation in opportunities to improve the quality of life and the economic stability of your service areas. Therefore, I have worked with my staff to take the following steps and ensure that these issues do NOT hinder our efforts and partnership to address our concern for rural American communities. I will continue to work with my staff to ensure that the appropriate changes to our annual financial and operating reports reflect the changes identified, with the goal to implement these changes for the 2013 calendar year reporting period.

RUS borrowers would have the option to continue following current annual financial reporting procedures, or, they may choose, strictly for RUS reporting purposes and requirements only, to use the revised process as described below:

1. Exclude assets and liabilities associated with Rural Development relending activities from the equity ratio and debt service coverage calculation so long as the third party obligor on such loans is performing or credit support facilities are in place to ensure performance. These liabilities would include loans from USDA's Rural Economic Development Loan and Grant Program, Intermediary Relending Program, and energy efficiency relending activities.

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

2. Provide a note, within the annual financial and operating reports, that identifies the total funds associated with these activities. These total funds will be excluded from the RUS debt service coverage and equity calculations.

Specific guidance on this procedure will be provided as part of the Data Collection System instructions for calendar year 2013 reporting.

The Rural Utilities Service continues to be proactive in identifying ways to become more efficient, by eliminating unnecessary procedures and processes, and improving our means to become more automated in our application and underwriting to be more effective for our borrowers. We are looking at new rules and programs in energy efficiency proposed rules on rural determinations, project financing, and expanding our reach into emerging bioeconomy and renewable markets. All of these efforts will help us transition to where we need to be in order to maximize the benefits to rural America. Our effort to adjust certain financial ratios for electric cooperatives involved in relending activities is one way to address our concern for community.

Sincerely,



John C. Padalino
Administrator
Rural Utilities Service