

Testimony of Joshua Winslow
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Subcommittee on Commodity Markets, Digital Assets, and Rural Development
“Stakeholder Perspectives on USDA’s Rural Development Programs”
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Introduction

Chairman Johnson, Ranking Member Caraveo, and members of the Committee, thank you for the opportunity to testify today. On behalf of the Brunswick Electric Membership Corporation (BEMC) and our consumer-members, we are grateful for the opportunity to share our perspective and we thank the Committee for their keen interest in the issues facing rural communities across America.

My name is Josh Winslow and I am the Chief Executive Officer and General Manager of BEMC. BEMC’s story begins in 1939 when a few local citizens came together to build a member-owned electric company to serve southeastern North Carolina. BEMC started with just 138 miles of line bringing power to 600 farms and homes in Brunswick, Columbus, Bladen, and Robeson counties. Our service territory is now one of the fastest growing in the country. With more than 7,000 miles of line serving close to 100,000 consumer-members, our commitment to provide affordable, reliable electric service remains the same. Our cooperative belongs to the members we serve and we strive to be accountable, service-driven, and provide benefits to our community beyond electrification. Cooperatives like BEMC are thriving companies, delivering superior value to electric consumers, and positioned to lead an industry in transition.

Also, I am grateful to be here to share the community-focused perspective of the nearly 900 electric cooperatives across the country. Electric cooperatives deliver power to 1 in 8 Americans in 48 states and serve 92% of our nation’s persistent poverty counties. We are owned by the people that we serve and we deliver power to our consumer-members at cost without a profit. As utilities serving 56% of the landmass in the United States, we share in the mission to provide reliable, affordable energy to rural America.

As the Committee considers the upcoming Farm Bill, there are three key points we respectfully request you consider as you work to reauthorize United States Department of Agriculture (USDA) programs:

- Rural Utilities Service (RUS) programs are critical to reliable, affordable electric service for rural communities.
- Policymakers should approach energy policies with a focus on maintaining electric grid reliability and meeting future demand.
- The toolbox of USDA-Rural Development programs helps electric cooperatives provide benefits to our rural communities beyond electrification.

Rural Utilities Service (RUS) Programs for Electric Cooperatives

As urban areas began to electrify in the early 1900s, rural areas were being left behind. Rural community members recognized that the economics of the electric business were not working in their favor, so communities banded together to form electric cooperatives with the goal of powering rural homes, farms, and businesses. Using low-cost loans from the Rural Electrification Administration (REA), cooperatives successfully electrified rural America and now provide reliable, affordable power to 42 million consumer-members in 48 states.

Rural Utilities Service (RUS) Electric Loan Program

It would be difficult to overstate the importance of low-cost Rural Electrification Administration (REA) loans to electric cooperatives during rural electrification 80 years ago. The fact of the matter is that today these loans, now administered by RUS, are just as important as they were back then. For electric cooperatives, RUS provides more than just financing, it provides the certainty that the federal government is committed to basic needs in rural America. From a reliability perspective, it is critical that cooperatives know that RUS will continue to be a trusted lender for baseload capacity as well as intermittent energy sources.

Through the RUS Electric Program, electric cooperatives across the country obtain financing for important electrical infrastructure projects of all sizes. Too often, RUS loan approvals for projects are needlessly lengthened by environmental reviews and delays. Uncertain environmental review timelines and challenging construction timeframes due to weather and other factors can lead to cost increases and significant project delays for RUS borrowers.

Reforms to the permitting process included in the Fiscal Responsibility Act (FRA), including firm timelines on permitting decisions from the federal government and greater involvement with project developers, will help speed up the process. Electric co-ops around the country are grateful to Congress for including these important reforms. To meet our nation's growing electricity needs, Congress should consider additional reforms, including limiting costly litigation that can delay projects indefinitely and streamlining small projects we already know have minimal environmental impacts.

New Empowering Rural America (ERA) Program

In addition to traditional electric infrastructure financing provided through the RUS Electric Program, RUS is in the process of implementing a new carbon emissions reduction program for electric cooperatives. This voluntary program is designed to help reduce greenhouse gas emissions while maintaining reliable, affordable electric service in rural America. Electric co-ops have flexibility to design projects specifically for the communities we serve with eligible uses including carbon capture, energy storage, nuclear, renewable energy, and generation and transmission efficiency improvements. Importantly, participation in this program is not conditioned on closure of critical baseload resources. Around the country, electric cooperatives are allocating resources toward participating in this program and electric co-ops look forward to providing the Committee with feedback as the program is implemented.

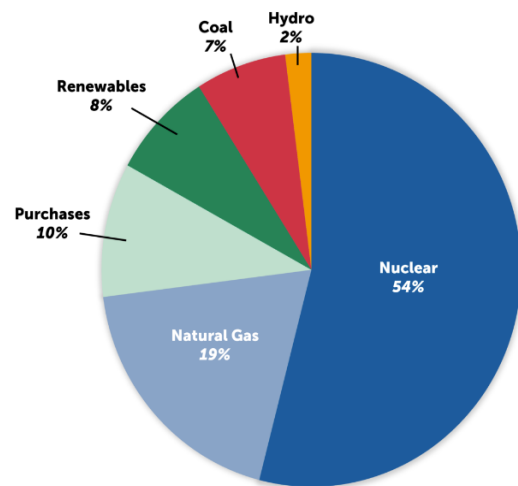
Maintaining Reliability and Meeting Future Demand

Electric cooperatives are committed to keeping the lights on across rural America at a cost families can afford. Electric co-ops rely on a diverse energy mix to meet the demands of our consumer-members. As a distribution cooperative, BEMC ensures delivery of electricity and manages the infrastructure needed to safely do so. BEMC is a member-owner of North Carolina Electric Membership Corporation (NCEMC), a generation and transmission cooperative that provides electricity to BEMC along with other electric cooperatives in North Carolina. NCEMC owns power generation assets, purchases electricity through contracts, invests in innovative energy projects, and coordinates transmission resources for North Carolina cooperatives.

BEMC Resource Mix

Electric cooperatives around the country get their power from a diverse mix of energy resources depending on each cooperative's location and community needs. To ensure we can meet demand, BEMC relies on a mix of always available resources, like nuclear and natural gas, along with intermittent renewable resources.

Additionally, BEMC's resource portfolio includes 4.8MW of roof-top solar, 10MW of utility scale solar and battery, and 15MW of controllable loads. As we work to integrate more renewable power sources into our portfolio, it is critical they are complemented by dispatchable resources to ensure reliability. Meeting future demand will require more baseload, dispatchable generation and more intermittent resources.



Reliability Assessments and Severe Weather

Our members and local economies depend on reliable, affordable, and safe electricity. It is vital to the health and wellbeing of the communities we serve. We saw this firsthand in December, when North Carolina faced unusually low temperatures and increased demand during the holidays. Across the state, electric cooperatives were either subject to rolling-outages or forced to ask our consumer-members to conserve energy around peak times to avoid them. To avoid similar situations, we must keep reliability top-of-mind for electric cooperatives because a failure of the electric grid could have serious humanitarian and financial consequences.

The 2023 Summer Reliability Assessment issued last month by the North American Electric Reliability Corporation (NERC) found that this year more regions of the U.S. face elevated risk of electricity shortfalls than in 2022. This assessment is just the last in a series of alarming reminders from other electric sector regulators and stakeholders that meeting future demand is in jeopardy. This comes as more sectors of our economy, including transportation and agriculture, look to the electric sector to play a larger role. To maintain reliability and meet future demand,

America will need to substantially increase dispatchable electric generation and expand transmission infrastructure. Federal policies should be designed to reflect these needs. We can't afford to get this wrong. Today's energy decisions determine if there are enough resources for the lights to come on tomorrow.

Proposed Environmental Protection Agency (EPA) Regulations

Last month, the EPA released a proposed rule to further regulate power plant emissions. This proposal will further strain America's electric grid and undermine decades of work to reliably keep the lights on across the nation. Across the country, supply of electricity is decreasing due to the disorderly retirement of generation assets with insufficient replacement while demand for electricity is increasing as more sectors of the economy are electrified. This concerning pattern will be greatly compounded by the EPA power plant rule.

Supply Chain Issues

Meeting our community's energy needs is of utmost importance and electric utilities are facing unprecedented challenges procuring basic equipment. Over the past three years, we have seen a significant increase in demand for equipment paired with labor issues that have led to lengthy wait times for delivering materials vital to maintaining critical infrastructure. Our partner company, Tarheel Electric Membership Association (TEMA), acquires and distributes materials, equipment, and supplies to meet electric cooperative needs. TEMA works smartly to secure these materials ahead of time which has put North Carolina electric co-ops in a much better position. Even with TEMA, electric cooperatives are still experiencing long wait times, with the wait time for some materials spanning over a year for materials including transformers, meter bases, rubber goods, elbows, and junctions. These wait times are especially concerning for BEMC given the threats we face from hurricanes and tropical storms.

BEMC installed over 5,000 electrical services and 160 miles of line in 2022 and is on track to exceed those numbers in 2023. We are currently installing infrastructure in over 70 individual residential and commercial development projects, 800 apartment units and 6,500 homes, along with several capital projects to extend lines and add capacity for the additions in load. That involves the immediate need for 840 pad mount transformers and 2,500 elbows – both of which are scarcely available. Although we are accustomed to the planning and execution requirements for high growth, breaks in the supply chain are straining our schedules and threatening reliability.

USDA Toolbox for Rural Electric Utilities

Rural electric cooperatives were built by and belong to the communities we serve. Electric co-ops pride ourselves on being more than just poles and wires companies and have a long history of partnering with USDA to improve quality of life in rural communities.

Rural Economic Development Loan and Grant Program (REDL&G)

Owned by our consumer-members, electric cooperatives have a vested interest in the success and safety of our people and places. Programs like REDL&G allow for us to stretch our reach in the

community with benefits beyond electrification. Through REDL&G, cooperatives identify certain community needs and opportunities like public services or small businesses and partner with the USDA to offer low interest loans through the electric cooperative. This program helps cooperatives fill some of the investment gaps we many times see hinder development in rural communities.

There is ample evidence of REDL&G's role in filling these investment gaps both at a statewide and local level. Across North Carolina, \$88 million in grants and loans were awarded, which resulted in \$1 billion in new capital investments as well as the creation of 6,000 new jobs in rural North Carolina. This program has also shown great success locally at BEMC. Since 2014, REDL&G has funded four projects with five awards totaling \$3,689,210. These projects include necessary renovations and investments for local Real Estate and Consumer Services corporations, weatherization projects, emergency vehicles, and business incubators. The positive effects of this program, both immediate and downstream, are felt throughout our communities. The reauthorization of REDL&G and similar programs would greatly aid in expanding these positive effects for rural communities.

Energy Efficiency

The Rural Energy Savings Program (RESP) is another Farm Bill program for rural energy providers to finance energy efficiency upgrades in rural homes using zero-interest loans from USDA. This program was created by the 2014 Farm Bill and is a mutually beneficial program used to lower energy bills for rural Americans, reduce energy use, and smartly leverage USDA resources. As a zero-interest loan program, this program yields strong return on federal investment as each dollar of appropriations for RESP facilitates about \$20 worth of zero-interest loans for energy efficiency projects. Participation in RESP can be a large administrative undertaking for a cooperative. As the Committee considers reauthorization of this program, consideration of a grant component like similar programs at USDA, would help ease the burden on electric cooperatives.

Community Solar

The Rural Energy for America Program (REAP) provides loans and grants to develop renewable energy systems and implement energy efficiency measures to benefit rural economies. Electric cooperatives have used REAP grants to partially finance community solar projects.

With the help of REAP, the North Carolina Electric Cooperatives have been able to install 2,160 kW of Community Solar capacity. Loans and grants provided by REAP have been a great help for rural communities moving towards renewable energy and would further benefit them if it were to be reauthorized.

Grid Innovation

Increasingly, electric cooperatives across the country are deploying fiber optic infrastructure as part of their electric network build. A fiber connection enables a high bandwidth, low-latency internal communications system to support utility operations, allowing for a real-time monitoring

of systems, improved response times to outages, and better management of utility resources. It allows us to improve the redundancy and resiliency of our electric network while also improving efficiency and lowering costs for our consumers.

Fiber networks also enable electric cooperatives to deploy advanced metering infrastructure as well as enable distributed energy resources and expanded electric vehicle access. These smart grid features require real-time communication for electric utility management and reduce overall costs while improving response times in the event of an outage.

At BEMC, we continuously look for ways to leverage new technologies for member benefit. As an example, we offer our members the option to participate in the Connect-to-Save program deployed in partnership with NCEMC. Members must have broadband to participate in this program so broadband expansion is imperative for rural areas to benefit from new technology and innovative energy programs. Through this voluntary program, our members use smart thermostats that can be briefly raised or lowered during peak times when the demand for electricity is greatest and therefore the most expensive. This helps to reduce demand and stress on the electric network while improving reliability for all BEMC members.

Conclusion

In closing, I would like to thank the Chair and Ranking Member for allowing me to share the perspective of BEMC. Nearly 900 electric cooperatives across the country have similar community-focused missions. 84 years ago, our community banded together to bring electric service to homes and farms with the help of the REA. 84 years later, the USDA remains a critical partner in our mission to provide reliable, affordable electric service to southeastern North Carolina households, businesses, farms, and communities.

As the Committee considers the upcoming Farm Bill, we look forward to working together in our shared goal of powering and improving the lives of rural Americans. I am happy to answer any questions you may have.