

Federal Emergency Management Agency (FEMA) Funds

FEMA Funds Allow Not-For-Profit Electric Cooperatives to Restore Power and Hope to Disaster Areas

Electric cooperatives (co-ops) rely on reimbursements by FEMA's Public Assistance program for funds to restore electric power after severe disasters – such as floods, hurricanes, tornadoes, and ice storms. Without FEMA reimbursement assistance, many electric cooperative consumers living in disaster-stricken areas could face higher rates and struggle with recovery causing slower return to normal conditions.

Under current federal law and policy, all utility systems receive federal funds and/or assistance for recovery after Presidentially-declared disasters. Investor-owned utilities, as for-profit entities, can use federal tax deductions and allocations to offset expenses for restoring power. Not-for-profit co-ops cannot access these tax advantages. Decades ago, Congress selected FEMA funds as the appropriate vehicle to offset Presidentially-declared disaster expenses incurred by electric cooperatives.

Congress took note of several facts about the cooperative business model when it amended the Stafford Act to include electric cooperatives in the FEMA Public Assistance Program. Although cooperatives serve just 12 percent of the nation's consumers, they operate and maintain nearly half of the nation's local distribution lines that span across approximately 2,500 counties.

Cooperative service territory density, at an average of only seven customers per mile of line, is the lowest in the industry. As a result, most electric cooperatives must depend on a small consumer base to operate in their large geographic service areas. And, as not-for-profit utilities, electric cooperatives can only spread costs among their own consumer-owners.

Under the Stafford Act's Public Assistance Program, when an electric cooperative service territory is included in a Presidentially-declared disaster area, FEMA may reimburse up to 75 percent of the allowed costs of replacing damaged and lost facilities for co-ops. The cooperative provides the matching funds and ultimately is responsible for restoring service to pre-disaster levels.

After some significant disasters, for-profit entities have asked Congress to include them in addition to the not-for-profits in the Stafford Act's protections. However, Congress has historically declined to do this, citing to the fact that for-profit entities can count losses incurred in disasters against their federal tax obligations. In other words, the for-profit entities are reflecting their disaster recovery spending through a reduced tax bill, which is an avenue not available for not-for-profit member owned utilities like electric cooperatives. In some cases, notably after September 11th and Hurricanes Katrina, Rita, and Sandy, for-profit entities also received significant monetary assistance through federal disaster Community Development Block Grants.

FEMA Policy 9580.6, Electric Utility Repair

In 2009, FEMA adopted policy 9580.6, Electric Utility Repair, establishing criteria to determine Disaster Relief Fund eligibility for repair or replacement of disaster-damaged electric distribution and transmission systems. The policy is intended to standardize the criteria for determining when electric cooperatives' storm-impacted systems are damaged and the appropriate actions to either repair those systems or to rebuild the damaged line sections to current codes and standards. It sets forth specific visually-observable criteria for determining if the power line is damaged beyond the point where it can be effectively repaired. Neither pre-disaster nor post-disaster testing of physical characteristics of the damaged conductor is required under the policy.

However, beginning in 2013, cooperatives in FEMA Regions 5 and 7 have been denied assistance for repairs. In these regions the difficulty of recovering from damage suffered by cooperatives that have been relying on using FEMA's own policy as a guide is concerning. The greatest concern is in Region 7 (Iowa) which suffered a late winter storm in 2013. FEMA Region 7 officials determined that the Iowa cooperatives were not able to prove their electric line was damaged during the April storm event because physical testing of the overhead line had not been performed prior to and following the storm. FEMA wanted the co-op to cut out three (3) twenty (20) foot sections of line per mile of line they own, and send that segment to a lab for testing each and every year – a practice clearly not envisioned in FEMA's written policy. There are many reasons why tests of this type are not conducted in Iowa, or anywhere else – chiefly the physical damage to the system when cutting out 60 feet of every mile of lines.

FEMA has never before required electric cooperatives to physically test their electric line before and after storm events to support applications for FEMA disaster recovery funds. This decision is currently under appeal to the local FEMA administrator. Other cases within in Region 5 & 7 where similar types of issues with the policy not been consistently or clearly applied are also under appeal.

The Electric Cooperative Position

Congress needs to carefully weigh all pending and future proposals for retooling or overhauling FEMA. The Public Assistance Program is an effective tool and should remain available for enabling electric cooperatives to quickly restore electric service to consumers' homes and businesses. For-profit utilities, which can offset disaster costs by using provisions of the federal tax code, should not gain access to FEMA funding.

FEMA needs to ensure proper use and implementation of FEMA Policy 9580.6, Electric Utility Repair. Without the consistent application of existing policies the ability to plan for recovery at a community level post disaster is significantly and adversely impacted. If these rulings are not overturned Congress needs to utilize its oversight role to ensure that FEMA and the Agency's policies are consistently applied and in line with established practices.

for more information

Bridgette Bourge, NRECA

703.907.6386

Bridgette.Bourge@nreca.coop

<http://www.nreca.coop>



**National Rural Electric
Cooperative Association**

A Touchstone Energy® Cooperative 