Fast Facts

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Federal Emergency Management Agency Disaster Assistance

Help Keep Not-For-Profit Electric Cooperatives' Rates Reasonable when Disaster Strikes

Issue: Electric cooperatives depend on FEMA's Public Assistance Program to help restore electric power to consumers after natural disasters – such as floods, fires, hurricanes, tornadoes, and ice storms. Co-ops serve on average 7 consumers per mile of line, including some of the most rugged terrain of any electric utility, yet own and operate 42 percent of the distribution lines in the country. As such, disasters can have a disproportionate impact on electric cooperatives and their member-consumers. Congress made electric co-ops eligible for FEMA reimbursements to mitigate these costs, keep electricity prices down and ensure smooth recoveries from major natural disasters for not-for-profit, consumer-owned utilities. Without FEMA financial assistance, many co-op consumers living in disaster-stricken areas could face significantly higher electric rates.

Background: 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 other accounting mechanisms to offset expenses for restoring power. Not-for-profit co-ops cannot use the tax and other accounting mechanisms. Decades ago, Congress took note of the cooperative business model and declared FEMA funds as the appropriate vehicle to offset expenses incurred by electric cooperatives following Presidentially-declared disasters.

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 destroyed co-op facilities. The co-op provides additional funds and is responsible for restoring service to pre-disaster levels.

Though FEMA has several policies intended to guide co-ops and other not-for-profit entities on the process and use of disaster funds, there are still inconsistencies in application. Inconsistent application of policy brings long delays and additional costs in appealing decisions made at the FEMA regional level.

Legislative Activity: The House passed several bills that would bring greater consistency and clarity for electric co-ops and other FEMA recipients.

- The **Disaster Simplified Assistance Value Enhancement (SAVE) Act (H.R. 1214)** which streamlines the delivery for small disaster assistance recovery projects without reducing oversight by temporarily increasing the FEMA simplified projects threshold to $500,000;
- The **FEMA Grant Statute of Limitations (H.R. 1678)** bill, which reinstates a 3-year limitation on FEMA's ability to reclaim funds (a practice known as de-obligation).
- The **FEMA Disaster Declaration Improvement Act (H.R. 1665)** which calls for FEMA to give greater weight and consideration to severe local impacts or the effect of multiple recent disasters when making major disaster declaration recommendations.

<u>NRECA Position</u>: Electric cooperatives recognize the growing fiscal pressures on FEMA programs, and support developing ways to streamline disaster recovery programs while maintaining our commitment to efficient disaster recovery. Turning the lights back on as efficiently and safely as possible is job number one for co-ops after a disaster strikes.

NRECA appreciates efforts in the House to move FEMA legislation and encourages the Senate to take up the House passed FEMA reform bills (H.R. 1214, H.R. 1678, and H.R. 1665) to strengthen the program.

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