



FEMA Funds Help Electric Cooperatives Restore Power and Hope to Disaster Areas

Issue. As Congress considers various legislative and administration proposals for retooling the Department of Homeland Security and the Federal Emergency Management Agency (FEMA), it is essential to maintain FEMA Public Assistance program policies that provide disaster relief reimbursement assistance for electric cooperatives.

Under current federal law and policy, all utility systems receive federal funds and assistance for recovery after Presidentially-declared disasters. Congress realized that, as not-for-profit utilities, cooperatives cannot take advantage of federal tax deductions and allocations for avoided expenditures available to for-profit investor-owned utilities after disasters. Congress selected FEMA Public Assistance funds as the appropriate vehicle to offset disaster expenses incurred by electric cooperatives.

Electric cooperatives rely significantly on FEMA funds to promptly restore electric power after severe disasters, such as floods, hurricanes, tornadoes and ice storms. Without FEMA reimbursement assistance, many electric cooperative consumers living in these disaster areas would face additional burdens of longer waits for service restoration and the potential for higher rates.

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 only 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, each electric cooperative can only spread costs among its own consumer-owners.

Status. Under the Stafford Act's Public Assistance Program, FEMA reimburses 75 percent of the allowed costs of replacing damaged and lost facilities for electric cooperatives. The cooperative provides the matching funds and ultimately is responsible for restoring service to pre-disaster levels. The cooperative is also responsible for ensuring that lines, poles and facilities are replaced to pre-disaster standards.

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NRECA Position. NRECA urges members of Congress to carefully weigh all pending and future proposals for retooling or overhauling FEMA. The Public Assistance Program in its current form delivers much-needed assistance to electric cooperative consumers, restoring electric service to their homes, hospitals and businesses. The Public Assistance Program's treatment of electric cooperatives should be maintained.

for more information

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