April 11th 2023.
Today's Climate Meeting is about opportunities for rural electric co-ops to make changes leading to cleaner electrical energy. Our speaker is Erik Hatlestad who is the Energy Democracy Program Director for CURE (Clean Up the River Environment). In 2022 Erik led the national advocacy effort to secure the Empowering Rural America (New ERA) program and the Affordable Clean Energy Program (ACE) in the Inflation Reduction Act (IRA), which represents the largest direct investment in rural electrification since the New Deal. These programs were based on a report Erik wrote in 2019 examining the barriers to the clean energy transition for rural electric cooperatives. Since the passage of the IRA he has led the advocacy efforts to ensure a strong program which assures a just, democratic, and equitable transition across rural America.

Erik joined us by zoom. This transcript has been lightly edited.

Erik Hatlestad: First, just a little bit about CURE. https://www.cureriver.org/about-us/

Background on CURE

CURE was founded in 1992 following a call by then Governor Arnie Carlson to clean up the Minnesota River, it's one of the dirtiest rivers in the country, contributing about 30% of all pollution causing the dead zone in the Gulf of Mexico at the mouth of the Mississippi. So, after many years of working locally to improve water quality and to improve the communities surrounding the Minnesota River, it became clear that the problem was much larger, and required greater action than what we then we could accomplish with our local governments. CURE became involved in advocating for public policy and shifts in public opinion that would accomplish our mission of cleaning up the river, and improving local communities.

In 2007 a new coal plant was proposed at the head waters of the Minnesota River and CURE joined the opposition over our concerns about mercury pollution in the water. During that campaign it became clear that threats to the global climate would also have a dramatic impact on rural communities like the ones we knew and loved. So, with a broadening understanding of how best to accomplish our mission as an organization, we became deeply involved in the climate movement, and are among the few rural, based nonprofit organizations focused on climate change. Today, 15 years after we defeated the new coal plant cures become known for our work around the real clean energy transition.

At CURE we approach the clean energy transition through the lens of energy democracy, which essentially means extending a democratic process to our energy system, empowering everyday people to have their voices heard in the decisions made about energy that impact them economically and environmentally by applying democratic principles to a well-informed and active public.

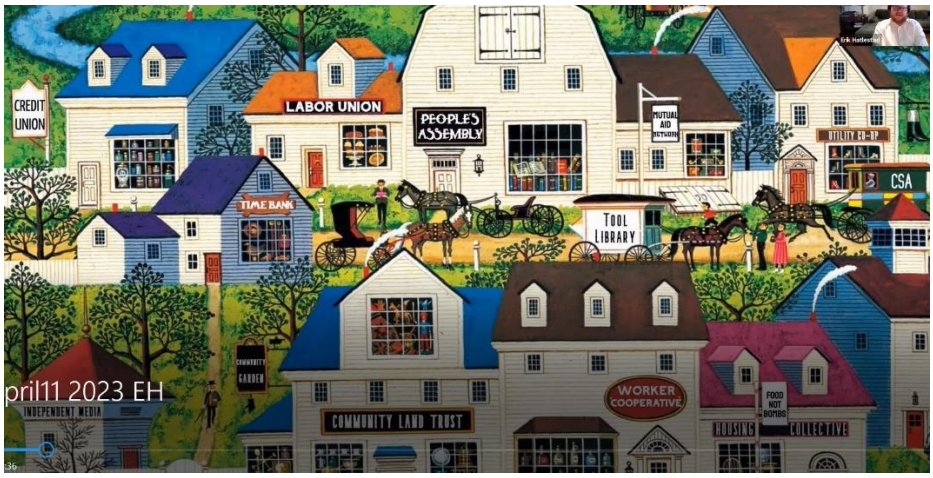
We know that we'll arrive at an energy system that improves the lives of people creates jobs, community wealth, all while taking action on the climate crisis.

We believe in the effectiveness of ascending, extending democracy into the economy, because we are students of history, and because we know that economic democracy built most of the rural communities

in the upper Midwest into the communities that we know and love today. Whether it was labor unions, farmer unions, or cooperatives, rural people have time and time again came together in a democratic fashion to improve the lives to improve their lives, the lives of their families, and the well-being of their communities.

Background on Cooperatives

Labor, unions, and farmer unions likely need no introduction to you, and I'll return to those briefly. But since electric cooperatives are the focus of my talk here today, I figure I'd better get around to the point and talk about co-ops.



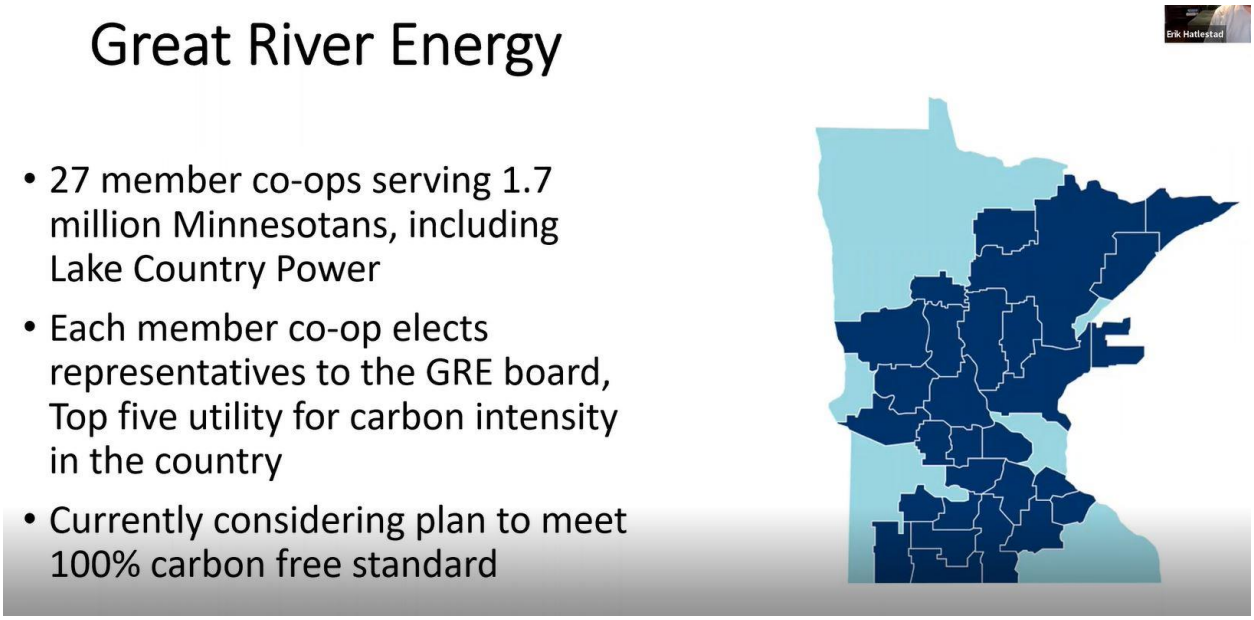
The International Cooperative Alliance defines a cooperative as an autonomous organization of persons united voluntarily to meet their common economic social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. In other words, cooperatives are created by people who have a specific need, and who are willing to work together to operate and organize a company that will meet that need. The modern cooperative movement traces its roots back to 1844 when an organization called the Rochdale Society of Equitable Pioneers founded one of the first co-ops in England as an alternative to address the excesses of the Industrial Revolution. The organization's lasting achievement was laying out the 7 Rochdale principles which we have on the screen. Now every co-op around the world organizes their co-op on the basis of these 7 principles voluntary and open membership, democratic member control by members, economic participation, autonomy and independence, education training and information cooperation among co-ops and concern for community.

The first organization in the United States to promote the cooperative movement under the Rochdale principles were the patrons of husbandry known as the Grange. They spread the co-op concept as a way for farmers and rural communities to solve their collective problems. Later organizations, like the Nonpartisan League Farmers Union and Union organizers on the Iron range, all organized cooperatives around the turn of the twentieth century to improve the lives of their members and communities. Finally, in 1922, Minnesota Congressman Andrew Volstead wrote and passed the Capper-Volstead act, which is known as the Magna Carta of Cooperatives. He was also the main author of prohibition. But we will forgive him for that one.

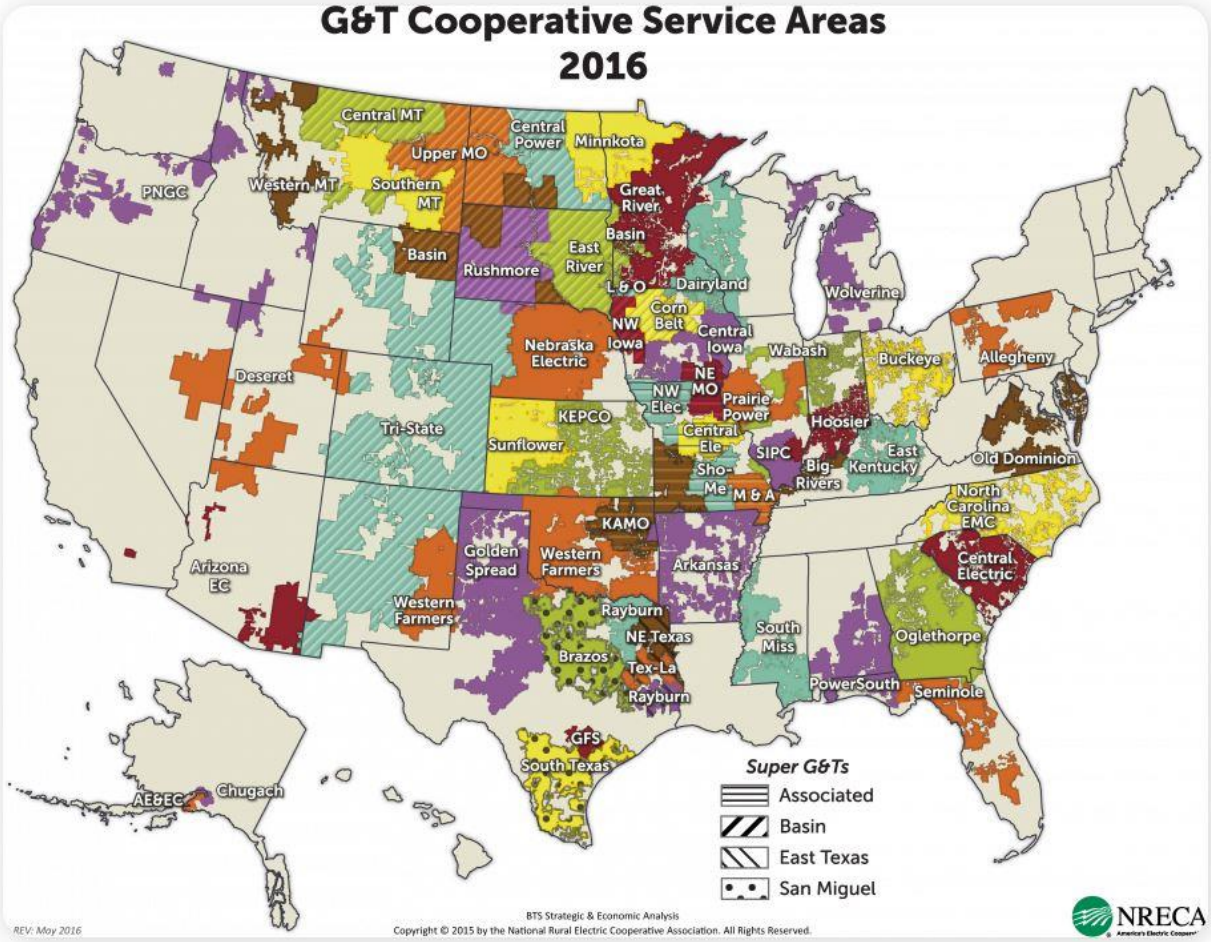
Time and time again the cooperative model of business is proved a successful tool for real people across the country. During the great depression it made sense for co-ops to once again be used as vehicles for improving the lives of real people around the country through rural electrification. Many of the

organizations that have been had been advocating and organizing co-ops for decades played a big role in the passage of new deal programs, including the Rural Electrification Act, which President Roosevelt signed in 1936. Before 1936 less than 10% of farms and rural communities were electrified although at that time many American cities had been electrified since or for 50 years or more. In some cases this was because of the enormous financial barriers and difficulty reaching scalable systems in the private market, but also because many corporate utility leaders thought rural people too dim to be illuminated through electricity.

The rural electrification Act provided Federal financing for communities to self-organize co-ops that could deliver electric service, breaking down the economic barriers to re-election and putting control of those utilities in the hands of the community. Without the tireless advocacy of rural social movements, particularly union workers and union farmers, the Rural Electrification Act would not have been passed, and electricity may have never reached farms in rural communities. Today they are over 840 local distribution co-ops across the country like Lake Country Power that serves the Ely area. These co-ops serve 42 million Americans, and cover over 56% of the country's land mass, including 92% of federally recognized persistent poverty counties. In Minnesota there are 44 local distribution co-ops that serve 1.7 million Minnesotans.



There are also 64 Federations of Cooperatives. This is one of those co-op principles. Cooperation among co-ops, called generation and transmission co-ops or G&T's, which are a lot less exciting than gin and tonics. I promise you as their name suggests, they accomplish electric generation transmission on behalf of the cooperatives who are their members. In Minnesota there are 6 generation and transmission co-ops supplying power to those 44 local distribution co-ops.



Rural electrification is one of the most significant accomplishments of the United States. Taking rural communities from less than 10% electrification to nearly 100% in just 15 years was a dramatic step forward for rural communities. There is a lot of impressive and historical stuff to talk about when it comes to rural electrification, and the historic progress that was made in between 1936 and 1950. However, I'd be remiss if I didn't talk briefly about some of the more difficult things to hear about rural electrification. Rural electrification was unfortunately not always a universal program. In rural black communities in the southeast it was used as an instrument of Jim Crow, and is still being used that way today. This is true in many indigenous communities across the country. In this historic photo members of the Mandan, Hidatsa and

Arikara Nation were forced to sign away a massive part of their reservation to build the Garrison Dam in North Dakota. There are many stories of the short falls of rural electrification and of rural electric co-ops, and I want to make sure that you know we keep these injustices in mind so that we know about them, and that we can assure that as we move towards the clean energy transition, we don't make the same mistakes again.

I'm give just giving you a crash course on about 200 years of the cooperative movement, and over 100 years of the rural social movements, driving progress, and the improvement of the quality of life for real people.

Now you're probably thinking I came here to talk about climate and clean energy policy, not about the history of rural politics and cooperatives. But when we talk about our electric co-ops and the clean energy transition, the history is critical context. It is critical to understand our path forward to find success in moving towards energy democracy as a climate solution. We need to know more about what an electric co-op is, how rural communities were identified and the political forces that won the Rural Electrification Act.

The Clean Energy Transition

Let's shift gears a little bit. Let's talk about the current energy scenario for electric co-ops in the United States. Electric co-ops have been slower than other utilities to make that clean energy transition. Today of the top 15 most carbon intensive utilities, 9 of them are generation and transmission co-ops, including 2 that serve Minnesota, Great River Energy and Basin Electric. Two-thirds of all electricity delivered by electric co-ops is generated by coal. Despite only serving 12% to the American public, they generate 20% of the total emissions from the utility sector. Co-ops operate over 300 fossil fuel plants across the country, with a total capacity of 57,000 megawatts, all of which would need to be retired in the next 12 years, in order for us to accomplish a zero carbon power sector by 2035, according to President Biden's goals.

If we want to meet the scientific necessity of rapidly and dramatically reducing greenhouse gas emissions we must move as quickly as possible. So the logical question to ask here is “Why have co-ops been slower in their transition to clean energy. And why do some in the co-op community voice such strong opposition to clean energy? The answer is part economics, part policy, and part politics.

ECONOMICS of the TRANSITION to CLEAN ENERGY

Let’s talk a little bit about the about the economic barriers to the clean energy transition for electric co-ops. The problems of rural electrification have really not changed since 1936. The main issue is, there are fewer rate payers per mile of electric line compared to big urban centers, making the cost of initial infrastructure high and harder to pay off. With shrinking rural populations, and fewer people living in rural communities than ever before, those economics become even more difficult.

It’s important to keep in mind that if the historic investments out of the Rural Electrification Act had not happened we would have never surpassed these pretty significant economic barriers. But now we have a second barrier which is the legacy debt and the debt service requirement that resulted from the first build out of rural electrification. When the Rural Electrification Administration made loans available to co-ops decades ago they weren't necessarily ever meant to be paid back, or they were meant to be paid back over an extremely long period of time. That's a problem when we need to build a new clean energy system very rapidly. Today there is over a 100 billion dollars in debt associated with rural electrification across the country. The debt service on that financing is an enormous barrier to the clean energy transition. Rural ratepayers are paying large amounts to finance this this very dirty energy system. This extracts a lot of wealth out of rural communities

To illustrate this point there is a generation and transmission co-op in eastern Kentucky, called Eastern Kentucky Power. They serve many persistent poverty counties in Eastern Kentucky. This co-op owes several billion dollars on just one of their coal plants, so that translates into every single day $500,000 in debt service being paid to the Federal Government. These funds are extracted out of those rural persistent poverty communities. It's a pretty dramatic impact, and the same story is true for rural communities across the country

Closer to home, Great River Energy recently sold the Coal Creek Station to an independent power producer although GRE still buys power from that plant. Coal Creek Station lost upwards of 200 million dollars in a single year. We have this compounding issue of uneconomic coal plants being backed with very difficult debt on top of the natural economic barriers to clean electrification.

Finally electric co-ops, because of the way they're organized, are not publicly traded like shareholder companies. Co-ops are membership driven organizations. They don't have the ability to do a share sale and raise a whole bunch of shareholder capital like Xcel Energy can as an investor owned utility. The only ways that an electric co-op can finance more clean energy investment is either by taking on more debt, by raising rates on co-op members, or by receiving Federal funding from federal or state funding agencies. Co-ops have some serious economic barriers to overcome.

POLICY of the TRANSITION to CLEAN ENERGY

On the policy side there are some pretty significant barriers that have not allowed for us to address those economic barriers in recent times. Since electric co-ops are organized as nonprofit organizations, they don't pay income tax. That also means that they can't take advantage of tax credits which have been among the main clean energy incentives for the last several decades. This has created a major inequity in how clean energy has been incentivized in the United States between investor and utilities and electric co-ops. It has forced co-ops, who want to make clean energy investments to partner with third-party independent generators which is not necessarily serving the kind of cooperative principles in in a way that they really like. It's not building member equity. It's essentially just handing over the money that members are paying every month to an independent organization outside of the co-op.

In addition there has been really limited Federal investment since 1936. There hasn't been the scale of investment that has paved the path for the rural clean energy transition, like there was in 1936 for rural electrification.

Both issues are tied together. There hasn't been an easy pathway for electric co-ops to relieve their stranded assets which are their coal plants that are losing money every year and also have huge amounts of debt attached to them. There is no way for co-ops to unload their debt. Electric co-ops are part of a federal project. They're serving a public good by electrifying the countryside. If we don't have federal policy to solve the problems that our original financing system set out for us we are just not going to get there.

POLITICAL BARRIERS of the TRANSITION to CLEAN ENERGY

Finally there are some political barriers. The rural social movements which were part of the new deal coalition that accomplished rural electrification, have collapsed. We no longer have a strong ability to win new investments in rural electrification. That to me is a huge issue for a variety of different reasons outside of the conversation around rural electrification. All co-ops need to retire their fossil fuel generating assets in the next 12 years. This needs a huge federal investment program. Co-ops seem to lack the political power to achieve this.

Another problem is a loss of the cooperative identity and the loss of institutional knowledge inside co-ops. Co-ops have not necessarily done themselves a lot of favors over the last several decades of the clean energy transition partly because of the collapse of the rural social movements that created them and used to be able to win major investments for them. They have lost some of the understanding of what they are as organizations. They are acting much less like co-ops, and much more like the standard corporate utilities that they were created to prevent.

There has not been a lot of strong advocacy from the electric co-op industry to win some of these new investments that are required to clear the way for the clean energy transition. In fact, there's been a lot of voices from inside the industry that have pushed against the transition to clean energy as many of you know. This is the lay of the land here. The loss of cooperative identity and loss of institutional knowledge is important. As we think about building energy democracy on the path to the clean energy transition, co-ops are, or were, a really natural place to have that conversation because they are already democratic organizations. But that isn't necessarily how it has worked out in in recent history.

Here is a survey from the National Rural Electric Cooperative Association looking at the cooperative identity. It’s a couple of years old, but essentially it shows that over half of people served by electric co-ops do not know they are a co-op member. They don't know that they have a vote in a democratic organization. No one's ever told them. They haven't been educated by their utility and we don’t have the same kind of rural social movements as we did in previous decades. No one has told them about what the cooperative movement is, and their role in participating in the democratic governance of that. You can see that folks in the older age demographic have a stronger co-op identity, so they understand a little bit

more about what a co-op is, probably because they grew up around them. Maybe they grew up going to a co-op annual meetings when they were when they were kids. But folks in the younger age demographic have a very limited understanding of what a co-op is. This survey is an acknowledgment from the Co-ops Trade Association themselves that this is a really dramatic problem and not something that should be ignored. To address this needs conversation education and advocacy. It can happen in meetings that organizations like this are having. Many co-op leaders around the country have this on their minds. How can they reinvigorate cooperative democracy? And how do we continue moving forward with rural electrification in the 20 first century?

This is translating, of course, into extremely low participation in co-op board elections. 72% of co-ops in this country have less than 10% average turnout in their elections even though that is your main way as a member to participate in the governance of your cooperative. That's again a huge problem, and it's something that's on the mind again of the Trade Association of co-ops like Lake Country Power and Great River Energy.

Finally there is a report from the National Rural Electric Cooperative Association that is relevant. NRECA asks “How can the cooperative movement be reinvigorated?” That is really a huge part of the problem that CURE thinks about in our work around energy democracy. CURE thinks we should study the history of how electric co-ops came about as a kind of outgrowth from these robust social movements, and how co-ops made large positive changes for rural communities. We think that by doing the same thing that rural communities have always done, which is democratically organize, we will find success with new investments that change the material conditions of world peoples’ lives and rural communities.

We like to think that CURE is reigniting those old rural social movements that got electric co-ops to where they are today. In 2018 we started a conversation around how electric co-ops are sharing information with their member owners. We published a report card called the Minnesota Electric Co-op Transparency Scorecard. This looks at how co-ops are sharing information about their general governance on their website. In the 21st century every co-op should have a website, and they should be posting information including how to participate in a co-op, date and place of board meetings and meeting minutes. They should tell us how to contact our Board of Directors, and how we can have our voices heard as members through our representatives on this board. There will be an updated version of the report card released in just a couple of weeks (spring 2023).

What we've seen over the last 5 years is that the co-ops have responded in a really positive way. When we when we started there were some co-ops who didn't really even have a website. They weren't communicating with their members at all online. Today we're seeing many co-ops moving in the right direction on being more transparent with their member owners in a way that people in the 21st century expect to be communicated with.

In addition in 2019 I was one of the authors of a report called Rural Electrification 2.0, which is the basis for a lot of the work that I've described here. In this report we take a look at some of the economic and policy barriers to the rural electric transition, and made some recommendations to address those barriers

During 2019 and 2020, at the urging of CURE, several presidential candidates added investments and programs that were inspired by our report. At the beginning of the pandemic, we helped form a national coalition of organizations who are thinking about the rural clean energy transition. Based on the conclusions of our report we suggested a $100 billion investment in rural electrification to entirely recapitalize the rural electric system and eliminate that that old debt that is holding the co-ops back from transitioning to clean energy

In 2021 the new Biden administration announced their support for a $10 billion investment electric co-ops for the clean energy transition. In 2022 much to everyone's surprise the Inflation Reduction Act was passed which contained many of the policy priorities that we had outlined before.

I want to talk a little bit more about those policies and the exciting new reality that we're heading into for Electric Co-ops.

National Rural Electric Cooperative Association followed CURE in taking a stance on a smaller but very significant investment in rural electrification. They called for a new $30 billion investment. This shows how social movements help to drive the conversation around investments in rural electrification, just like they did in the 1930's. The result was a couple of programs contained in the Inflation Reduction Act including a $9.7 billion program, which effectively amounts to the largest direct investment in rural electric co-ops in history. But the IRA has more benefits. One of the present problems of the rural clean energy transition is the lack of access to tax credits which have been the main clean energy subsidy for decades. That is no longer the case. We have achieved equity between co-ops and investor owned utilities by fighting for a direct pay option for those tax credits. The IRA allows co-ops to take a direct payment from the Federal Treasury in situations where investor owned utilities get tax breaks. This is an enormous shift in the economics for co-ops in in terms of the clean energy transition and will accelerate some pretty significant, clean energy investment across the country.

Then there is section 22001 which will be named by the Rural Utility Service. The RUS is the successor to the Rural Electric Administration. This will be a $1 billion forgivable loan program for rural, clean energy projects. This program is generally to be more targeted to our local distribution co-ops, like Lake Country Power. There is also Section 22004, or the Empowering Rural America program, or New ERA which is a $9.7 billion loan and grant program for electric co-ops. There are many other opportunities for co-ops out of the Infrastructure Investment and Jobs Act and the Inflation Reduction Act. But these are the few that I we really worked hard on and wanted to share with you about, because they have the opportunity to be absolutely transformative for co-ops across the country.

So to just delve a little bit more into the new IRA program.

So this is a $9.7 billion loan and grant program can be used for a grant we use for a loan. It can be used for the cost of making loans, but grants are going to be capped at $970 million per co-op. This program also requires a 75% funding match. A big G&T co-op planning to totally transform their energy system

could use $970 million grant from the RUS, it would need another $3 billion of other financing to win that award.

The program is entirely clean energy focused. So it's all about investments in clean energy, zero emission systems, and improving efficiency of transmission and generation. Because Joe Manchin was involved in the passing of this this program, it does also allow for carbon capture which we are not necessarily thrilled about. We think that carbon capture is unlikely to be used, but it is there. The way that these will be awarded is entirely on their ability to reduce greenhouse gas emissions, as well as accomplish a couple of other objectives like accomplishing community benefits.

This program requires a 75% match but that can come in the form of other loans. The RUS will also allow co-ops to stack this program on top of other federal programs including tax credits. As a result, if you're going for a big project, you have the problem of matching a $1 billion grant with another $3 billion of loans. But if you stack this program with other Federal programs, that brings that cost to the co-op down even further, making it much easier to make this investment. It is estimated that this program will help raise an additional $39 billion in in new investment in clean energy in the electric co-ops without rate increases or credit rating downgrades. This alone will clear the way for 20 gigawatts of solar wind and storage development and some pretty dramatic carbon emission reductions.

What does this mean for co-ops? The size of this historic investment allows for co-ops to think holistically about their transition pathways. So they can entirely reimagine their system based on the size of the grant award from the Federal Government. They have a huge opportunity to broadly deploy beneficial grid investments, site-specific energy efficiency upgrades that really will help reduce member-owner bills. It will also eliminate a major barrier to rural workforce and economic development which is rural housing quality. This has potential multiplying impacts beyond what we think about in terms of carbon emission reductions and it can be stacked with the other federal incentives.

What does this mean for rural energy democracy advocates and people who care about climate change and climate justice? We have a really big opportunity right now to talk about what co-ops can do with the IRA. We also have the ability to urge our local co-op leaders and our G&T leaders to actively pursue these programs and suggest projects where they can make investments based in energy, democracy and climate justice. In addition we're all about cooperation. We have a big opportunity to work together with the co-ops themselves to surpass all of these problems and to identify ways that we can make these investments in a democratic way that once again fundamentally improves the material conditions of people's lives across rural America.

Where are we right now? We are in the program creation period. The Rural Utility Service held a couple of listening sessions in December 2022. It was originally reported that those were going to be the only options for public input and we let them know that that wasn't sufficient, and we were glad to see that following our complaints. They added 13 more round table listening sessions that concluded on January 26th 2023. They expect that the program will be ready for release later this year. This creates a sense of urgency, because there is a very short timeline for this program caused partly by the Inflation Reduction

Act being passed through reconciliation. This is an investment that's been made through what usually would be under the authority of the Farm Bill meaning that it is all up for renegotiation and reauthorization in the Farm Bill which expires September 30th of this year.

So there's a huge worry in Washington and in co-ops themselves that some parts of Congress may want to claw back this money or eliminate the program before it even has a chance to be implemented. So the current administration is working to get this program set up and money out the door very quickly. This is not ideal, because we really want to see a robust and democratic process. But that is, that's how they've made the decision. What we've been told is that we can expect a funding opportunity announcement between May and June, and there'll be a process that co-ops would go through. They will accept letters of intent or initial concept papers, from co-ops. Those will be due by August, and final awards will be made by the end of September 2023 before the Farm Bill expires. Those projects must be completed by September, 2031. It is a very short timeline, which gives us a really big sense of urgency in advocating to our local co-ops and our generation and transmission co-ops to take advantage of this program.

What is next for us? We need to work with the USDA to make sure these programs are strong, that they are accomplishing the goals that were set forth by the Administration and by advocates like us that fought hard for these programs. We also need to defend these programs in the Farm Bill. It would be a real shame if the largest investments in rural electrification ever were taken away before they had a chance to be implemented. Beyond protecting these programs, we need to maintain them and expand them, because this is really a down payment on the total federal investment that's needed to fully transition the rural electric system.

How do we get to this $100 billion dollars plus investment? And how do we eliminate the debt that is saddling rural communities across the country, siphoning in some cases hundreds of thousands of dollars out of them every single day?

Lake Country Power is one of 27 co-ops served by Great River Energy. Every one of these 27 members elects a representative to the Great River Energy Board. They are currently considering what their plan is going to be to meet Minnesota's new 100% carbon-free energy standard by 2040. Great River Energy is among the best positioned generation and transmission co-ops in the country to receive a really robust investment out of this program. It is really important for us to make sure that this is on their radar, and they're actively considering how they can use this this program to reduce costs for member owners to build jobs in in Minnesota and act on the climate crisis all at the same time. It is a huge opportunity, and we hope that Great River Energy and Lake Country Power will be really aggressive in pursuing this program and modeling how other co-ops around the country can accomplish this transition.

What can member-owners do to help? Work to make your co-op more democratic, more transparent, and have a bigger focus on clean energy. Get to know your co-op staff and board. Do some relationship building with them. Attend your local annual or monthly board meetings. Make sure you vote in your annual election, to raise the usually low voter turnout. You can run for the Board of directors, and push for change, push for greater democracy and clean energy investment. You can urge your co-op to apply

for these federal programs as well and really bring home some of this historic investment for your own community. And, as always, talk to your friends and neighbors about cooperative democracy, because it's really important. And it's really one of the most successful ways that real communities have made a positive change in their history.

I hope that was informative. I hope I didn't get too far in the weeds here. But really, I love talking about this stuff, and thanks again. So much for the opportunity to chat with you all today. I'm glad to take any questions there is time. Thank you.

QUESTIONS

BT: I'm a little confused between the generation and distribution aspect of co-ops. You just pointed out in your last example that there a number of co-ops associated with the energy generating company. How does that translate into the number of board positions that are filled to represent the individual co-op compared to board members representing the energy company? Are the co-ops the distribution element? Do they negotiate their rates with the company? The energy company is the generation aspect of it. Right?

EH: So it's a great question. Your Lake Country Power is a member owner of another co-op. Just like how you're a member-owner of Lake Country Power, Lake Country Power is also a cooperative owner of Great River Energy. So it's like a co-op with co-ops. Just like how every member has a vote and has representation on a co-op board, every co-op board, who's a member-owner of Great River Energy, elects a representative to Great River Energy's board.

Through the collective action of many co-ops acting together, they are they're able together to achieve a greater ability to generate large amounts of electricity and transmit it to their member co-ops. That's how it has worked in the past.

BT: In addition we're not in that we're in Minnesota Power. Well some of us are, and some of us are not. The city of Ely is not a co-op. It has its own arrangement with Minnesota Power. We buy from Ely Utilities and they buy their power from Minnesota Power. So in Ely do we have a cooperative power at all? I don't understand how that system developed, or how it works.

EH: That is another great question. So it sounds like Ely has a municipal power company that is government owned rather than cooperatively owned. There are 3 different kind of ownership models classes of utilities. There are the investor owned utilities like Minnesota Power owned by shareholders. There are municipal power or municipal utilities owned by cities. They're generally governed by a local utilities commission or municipal utilities commission depending on the city. Sometimes they're elected, sometimes they're appointed by the City Council. Finally there are the electric co-ops. Municipal utilities are kind of their own animal. I'm less informed on the ins and outs of municipal utilities. CURE has an equivalent guy like me, who thinks about municipal utilities all the time. "Muni's" have their own barriers and issues to clean rural to electrification.

ALP: We are a Lake Country Power members. Is someone from CURE monitoring what Great River Energy is doing to take advantage of the grants through the IRA?

EH: We are having some conversations with them, and I think we're a little unsure as to where exactly they'd like to go. I'm hoping that with some more urging and pushing from members around Minnesota that they'll be more enthusiastic. We're not certain exactly where they might go with it, and that's our sense of urgency. Time is short for these things. We really would like to see a lot more conversation about what this can look like, because currently we're a little bit uncertain as to where they might head, or if they're going to head anywhere at all.

ASU: The general manager for Lake Country Power is the representative on the Great River Energy Board, and of course he is strongly against any kind of move to clean energy. 10 years ago they invested heavily in in coal. I was really interested in the business about debt, because I wonder if that isn't a problem. Could you tell us how the investor owned utilities can write off tax credits and the co-ops can use some sort of refund from the government.

EH: The debt for co-ops has really driven a lot of the opposition to clean energy. Although I don't think a lot of co-op directors or staff really view it that way. It's just been there for so long, and they are defending the ability to pay the debts that are owed. This relates to institutional knowledge. If you are not drawing the connection between this is how we got here and this is what we need to do to continue servicing debt and remain active as a business. If you are not drawing the connection to the need to transition to clean energy rather than opposing it because we can't figure out the debt question we're just going to throw up all these barriers to clean energy. That's the big break in the institutional knowledge. But so as far as the tax credits goes, so most of the clean energy investment has really been accelerated by these 2 tax credits called the Production Tax Credit and the Investment Tax Credit. These have largely been taken advantage of by your investor owned utilities like Minnesota Power, or Xcel Energy because they are for profit businesses. They have a huge tax appetite. They can write off a lot of their tax liability would be based on clean energy investment.

ASU: So they're writing off their debt?

EH: Well, they're not writing off their debt. They're just writing off their tax liability. But co-ops and municipal utilities haven't been able to do that, because neither of them are for for-profit organizations. Co-ops haven't had the ability to take that incentive that is really made a lot of clean energy investment happen. Now they can take a direct payment for those tax credits.

BJ: I've got a question, Eric. This whole business about the debt service is new to me, and very interesting. Do you have any feeling for what proportion of say, Lake Country Power's overall operations, is taken up by that debt service?

EH: That is a great question that I don't have an answer to off the top of my head. That's something where I would like to there to be a little bit more transparency. I wish I had that information off the top of my head. Unfortunately a lot of the information is not readily available.

RW: I'm sympathetic to the fact that you don't have a number off the top of your head, and I don't want to get you in a tough spot. But what is your guess? The payment on that debt is a major hindrance to Lake Country Power doing some other things?

EH: I would say yes it absolutely is, and that's generally true. Generally true across the board, because co-ops really pay attention to their debt to equity ratio. They don't want to take a credit rating downgrade, because then there any future debt or any future projects, they want to finance become more expensive. They want to maintain a kind of healthy credit, rating as best as they can. They don't have the ability to raise capital like investor owned utilities can. They either have to take more debt, or they have to raise rates, or they can take a federal investment. We really have to have large Federal investment to get the job done.

DL: The time the timeline that you mentioned of this summer and next fall for putting in for potential project seems really soon. I don't see how people can do that if they're just learning about it right now. Is there any way to lengthen that timeline?

EH: We fought really hard to lengthen it as much as we could. They're very concerned about losing this money in the Farm Bill, because this is a big priority program for the administration and for a lot of other senators and representatives. They don't want to see this go away.

DL: How do different groups submit their projects?

EH: So there'll be a funding announcement in May or at the beginning of June. They'll essentially fully outline project demands and the funding timeline. It could be slightly different than what I've laid out here, but that is based on what we've been told. It'll really be up to co-ops to respond and make the application. It is up to groups like us to push them to start thinking about this now, because we know some general parameters about where this is going. There are some co-ops around the country who have been thinking about this for a bit and have some potential plans in place. So really we can do now is to ask them what their plan is. Push them to take this seriously, because this is a once in a lifetime opportunity. We may not get this level of investment again.

DL: This group has talked about potential projects already in various meetings. So hopefully some of those will be presented to different either to the Ely people or the Great River Energy people.

BJ: Any more questions? We should say thank you to Erik. Thank you very much. Everyone really appreciated the chance to talk with you.