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of any adjustment and shall set forth the basis upon which the rate is to be adjusted and established. The RUS wholesale power contract provides that no final revision in rates shall be effective unless approved in writing by the Administrator.

(c) Pursuant to the terms of the RUS mortgage, each power supply borrower must design its rates as therein set forth and must give 90 days prior notice to RUS of any proposed change in its general rate structure.

(Approved by the Office of Management and Budget under control number 0572-0089)

§ 1717.304 State regulatory authority rate jurisdiction.

(a) In the event that rate revisions required by the terms of the RUS wholesale power contract or other RUS documents may be subject to the approval of a state regulatory authority, the power supply borrower shall seek such required approval in a timely manner.

(b) RUS recognizes the need of state regulatory authorities for documents, information and records for use in connection with an application for rate approval and will consider any reasonable request by a borrower or a state regulatory authority for such documents, information and records. The failure of RUS to provide requested documents, information or records shall not limit any rights of RUS including the right with respect to pre-emption of the state regulatory authority as provided in this subpart.

(c) In the event that the state regulatory authority shall fail to act favorably upon the borrower's application for rate increases required by terms of the RUS wholesale power contract or other RUS documents, the borrower shall pursue such legal and administrative appeals as may be available to it, unless RUS shall approve otherwise in writing.

§ 1717.305 Pre-emption.

(a) *Inadequate rates.* State regulatory authority jurisdiction over a power supply borrower's rates shall be pre-empted by the RE Act if the Administrator shall have determined that the borrower's rates approved by the state regulatory authority are, after taking

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into account the borrower's costs and expenses, inadequate to produce revenues sufficient to permit the borrower to make required payments on its secured loans and the borrower has failed to make required payments on its secured loans.

(b) *Public notice.* The Administrator shall:

(1) Notify the borrower and the state regulatory authority in writing of the determination, indicating the jurisdiction of the state regulatory authority over the rates of the borrower has been pre-empted pursuant to this part and the borrower shall henceforth establish its rates in accordance with the term of the RUS documents.

(2) publish a notice in the FEDERAL REGISTER informing the public of the action.

[55 FR 38646, Sept. 19, 1990; 55 FR 53100, Dec. 26, 1990]

§ 1717.306 RUS required rates.

(a) Upon the publication in the FEDERAL REGISTER of the notice of pre-emption of state regulatory authority as provided in this subpart, RUS will exercise exclusive jurisdiction over the rates of the borrower pursuant to the terms of the RUS documents. The borrower shall immediately establish rates with the approval of RUS that are sufficient to satisfy the requirements of the RUS wholesale power contract and other RUS documents described in § 1717.303 of this subpart. The borrower shall establish such rates notwithstanding provisions of state law, and rules, orders or other actions of state regulatory authorities, and notwithstanding any provision of the RUS documents referring to such laws, rules, orders or actions.

(b) So long as the state regulatory authority shall be pre-empted hereunder, RUS shall be considered the governmental regulatory body with jurisdiction over rates for the purposes of the RUS documents and for the purposes of section 1129(a)(6) of the Bankruptcy Code of 1978, as amended (11 U.S.C. 1129(a)(6)).

(c) If a borrower, which is subject to exclusive RUS rate jurisdiction, shall fail to establish rates in accordance with terms of the RUS wholesale power contract and other RUS documents in

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a timely fashion, RUS may proceed to exercise any and all rights and remedies available pursuant under the RUS documents or otherwise.

(d) The jurisdiction of the state regulatory authority over the rates of the borrower shall continue to be pre-empted hereunder until the Administrator shall in writing approve the resumption of jurisdiction by the state regulatory authority and publish in the FEDERAL REGISTER a notice to such effect. The Administrator shall approve resumption only after determining that such jurisdiction shall be exercised in a manner consistent with Federal interests.

[55 FR 38646, Sept. 19, 1990; 55 FR 53100, Dec. 26, 1990]

§ 1717.307 Distribution members' rates.

A state regulatory authority which has been pre-empted as provided in this subpart may continue to exercise jurisdiction, pursuant to applicable provisions of state law, over all other business affairs of the power supply borrower and over the rates of its distribution members: Provided, however, that the state regulatory authority shall treat any RUS approved rate for the power supply borrower as fair and reasonable and shall not in any manner, directly or indirectly, prevent or impede the distribution member from recovering the costs of paying the RUS approved rates to the power supply borrower.

§ 1717.308 RUS approval of nonconforming rates.

Borrowers may request and RUS may approve rates which do not conform with the requirements of the RUS wholesale power contract and other RUS documents if RUS determines, in its sole discretion, that such approval is in the interests of RUS. If RUS approval is granted prior to pre-emption hereunder, and if the state regulatory authority shall have approved such rates, then, so long as RUS's approval of the nonconforming rates remains in effect, the jurisdiction of the state regulatory authority over the rates of the borrower shall not be pre-empted hereunder.

§ 1717.309 Additional statutory pre-emption.

This subpart addresses pre-emption of state law and state regulatory authority in only those specific circumstances herein described. Nothing in this subpart waives, limits, or otherwise affects the explicit pre-emption or pre-emption, which is implicit and shall occur pursuant to the RE Act as a matter of law, of state law or action of a state regulatory authority where such state law or such action compromises Federal interests, including the ability of any borrower, including power supply borrowers, to repay loans made or guaranteed by RUS.

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Subpart H—Federal Pre-emption in Rate Making in Connection With RUS Electric Borrowers in Bankruptcy

SOURCE: 55 FR 38653, Sept. 19, 1990, unless otherwise noted.

§ 1717.350 Purpose.

This subpart contains regulations of the Rural Utilities Service (RUS) implementing provisions of section 4 of the RE Act (7 U.S.C. 904) which authorizes the Administrator to establish terms and conditions of loans, and provisions of the RUS documents which provide for the establishment of rates for electric service to be charged by RUS electric borrowers. This subpart contains the general regulations of RUS for the pre-emption of the regulation by a State Regulatory Authority under State law of an RUS borrower's rates and for the exercise by RUS, pursuant to the RUS documents, of exclusive jurisdiction over rates of a borrower by or against whom a case under the Bankruptcy Code of 1978, as amended, has commenced.

§ 1717.351 Policy.

(a) RUS makes and guarantees loans to borrowers to bring electric service to persons in rural areas. To accomplish this objective, RUS normally requires, as a condition to making or guaranteeing any loans to an electric borrower, that the borrower execute