

Rural Utilities Service, USDA

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portion of said facilities or for any future insured loan to finance other distribution or subtransmission facilities. A section 306 loan guarantee, however, may not be used to guarantee a supplemental loan required by § 1710.110.

(d) *One hundred percent loan guarantees under section 306A.* Under section 306A of the RE Act, both distribution and power supply borrowers are eligible under certain conditions to use an existing section 306 guarantee to refinance advances made on or before July 2, 1986 from a loan made by the Federal Financing Bank. (See 7 CFR part 1786.)

(e) *Ninety percent guarantees of private-sector loans under section 311.* Under section 311 of the RE Act, both distribution and power supply borrowers in the state of Alaska are eligible under certain conditions to obtain from RUS a 90 percent guarantee of a private-sector loan to refinance their Federal Financing Bank loans. (See 7 CFR part 1786.)

[57 FR 2832, Jan. 24, 1992, as amended at 58 FR 66264, Dec. 20, 1993; 66 FR 66294, Dec. 26, 2001]

§ 1710.103 Area coverage.

(a) Borrowers shall make a diligent effort to extend electric service to all unserved persons within their service area who:

(1) Desire electric service; and

(2) Meet all reasonable requirements established by the borrower as a condition of service.

(b) If economically feasible and reasonable considering the cost of providing such service and/or the effects on all consumers' rates, such service shall be provided, to the maximum extent practicable, at the rates and minimum charges established in the borrower's rate schedules, without the payment by such persons, other than seasonal or temporary consumers, of a contribution in aid of construction. A seasonal consumer is one that demands electric service only during certain seasons of the year. A temporary consumer is a seasonal or year-round consumer that demands electric service over a period of less than five years.

(c) Borrowers may assess contributions in aid of construction provided

such assessments are consistent with the policy set forth in this section.

[57 FR 1053, Jan. 9, 1992, as amended at 60 FR 67404, Dec. 29, 1995]

§ 1710.104 Service to non-RE Act beneficiaries.

(a) To the greatest extent practical, loans are limited to providing and improving electric facilities to serve consumers that are RE Act beneficiaries. When it is determined by the Administrator to be necessary in order to furnish or improve electric service in rural areas, loans may, under certain circumstances, be made to finance electric facilities to serve consumers that are not RE Act beneficiaries.

(b) Loan funds may be approved for facilities to serve non-RE Act beneficiaries only if:

(1) The primary purpose of the loan is to furnish or improve service for RE Act beneficiaries; and

(2) The use of loan funds to serve non-RE Act beneficiaries is necessary and incidental to the primary purpose of the loan.

[57 FR 1053, Jan. 9, 1992; 57 FR 4513, Feb. 5, 1992, as amended at 58 FR 66264, Dec. 20, 1993]

§ 1710.105 State regulatory approvals.

(a) In States where a borrower is required to obtain approval of a project or its financing from a state regulatory authority, RUS may require that such approvals be obtained, if feasible for the borrower to do so, before the following types of loans are approved by RUS:

(1) Loans requiring an Environmental Impact Statement;

(2) Loans to finance generation and transmission facilities, when the loan request for such facilities is \$25 million or more; and

(3) Loans for the purpose of assisting borrowers to implement demand side management and energy conservation programs and on and off grid renewable energy systems.

(b) At minimum, in the case of all loans in states where state regulatory approval is required of the project or its financing, such state approvals will be required before loan funds are advanced.

(c) In cases where state regulatory authority approval has been obtained,

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but the borrower has failed to proceed with the project in a timely manner according to the schedule contained in the borrower's project design manual, or if there are cost overruns or other developments that threaten loan feasibility or security, RUS may require the borrower to obtain a reaffirmation of the project and its financing from the state authority before any additional loan funds are advanced.

[57 FR 1053, Jan. 9, 1992; 57 FR 4513, Feb. 5, 1992, as amended at 58 FR 66265, Dec. 20, 1993]

§ 1710.106 Uses of loan funds.

(a) Funds from loans made or guaranteed by RUS may be used to finance:

(1) *Distribution facilities.* (i) The construction of new distribution facilities or systems, the cost of system improvements and removals less salvage value, the cost of ordinary replacements and removals less salvage value, needed to meet load growth requirements, improve the quality of service, or replace existing facilities.

(ii) The purchase, rehabilitation and integration of existing distribution facilities and associated service territory when the acquisition is an incidental and necessary means of providing or improving service to persons in rural areas who are not receiving adequate central station service, and the borrower is unable to finance the acquisition from other sources. See § 1710.107.

(2) *Transmission and generation facilities.* (i) The construction of new transmission and generation facilities or systems, the cost of system improvements and removals, less salvage value, the cost of ordinary replacements and removals less salvage value, needed to meet load growth, improve the quality of service, or replace existing facilities.

(ii) The purchase of an ownership interest in new or existing transmission or generation facilities to serve RE Act beneficiaries.

(3) *Warehouse and garage facilities.* The purchase, remodeling, or construction of warehouse and garage facilities required for the operation of a borrower's system. See paragraph (b) of this section.

(4) *Interest.* The payment of interest on indebtedness incurred by a borrower to finance the construction of generation and transmission facilities during

the period preceding the date such facilities are placed into service, if requested by the borrower and found necessary by RUS.

(5) Certain costs incurred in demand side management, energy conservation programs and on and off grid renewable energy systems.

(b) In cases of financial hardship, as determined by the Administrator, loans may also be made to finance the following items:

(1) The headquarters office and other headquarters facilities in addition to those cited in paragraph (a)(4) of this section;

(2) General plant equipment, including furniture, office, transportation, data processing and other work equipment; and

(3) Working capital required for the initial operation of a new system.

(c) RUS will not make loans to finance the following:

(1) Electric facilities, equipment, appliances, or wiring located inside the premises of the consumer, except qualifying items included in a loan for demand side management or energy resource conservation programs, or on or off grid renewable energy systems;

(2) Facilities to serve consumers who are not RE Act beneficiaries unless those facilities are necessary and incidental to providing or improving electric service in rural areas (See § 1710.104);

(3) Any facilities or other purposes that a state regulatory authority having jurisdiction will not approve for inclusion in the borrower's rate base, or will not otherwise allow rates sufficient to repay with interest the debt incurred for the facilities or other purposes; and

(4) Any facilities or other specific purposes that were included in a loan made or guaranteed by RUS that the borrower has prepaid or that has been rescinded.

(d) A distribution borrower may request a loan period of up to 4 years. Except in the case of loans for new generating and associated transmission facilities, a power supply borrower may request a loan period of not more than 4 years for transmission and substation facilities and improvements or replacements of generation facilities. The loan