are desired, if there are extenuating circumstances RUS may accept a single-purpose transmission or generation CWP in support of a loan application or budget reclassification. The construction period covered by a CWP in support of a loan application shall not be shorter than the loan period requested for financing of the facilities.

(c) Facilities, equipment, and other items included in a power supply borrower's CWP may include:

(1) Distribution and related facilities as set forth in § 1710.251(c);

(2) Transmission facilities required to deliver the power needed to serve the existing and planned new loads of the borrower and its members, and to improve service reliability, including tie lines for improved reliability of service, line conversions, improvements and replacements, new substations and substation improvements and replacements, and Systems Control and Data Acquisition equipment, including communications, dispatching and sectionalizing equipment, and load management equipment;

(3) The borrower's proportionate share of transmission facilities required to tie together the operating systems of supporting power pools and to connect with adjacent power suppliers;

(4) Improvements and replacements of generation facilities; and

(5) The cost of engineering, architectural, environmental and other studies and plans needed to support the construction of facilities, when such cost is capitalized as part of the cost of the facilities.

(d) A CWP for transmission facilities shall normally include studies of load flows, voltage regulation, and stability characteristics to demonstrate system performance and needs.

[57 FR 1053, Jan. 9, 1992, as amended at 60 FR 3731, Jan. 19, 1995; 60 FR 67405, Dec. 29, 1995]

§ 1710.253 Engineering and cost studies—addition of generation capacity.

(a) The construction or purchase of additional generation capacity and associated transmission facilities by a power supply or distribution borrower, including the replacement of existing capacity, shall be supported by comprehensive project-specific engineering and cost studies as specified by RUS. The studies shall cover a period from the beginning of the project to at least 10 years after the start of commercial operation of the facilities.

(b) The studies must include comprehensive economic present-value analyses of the costs and revenues of the available self-generation, load management, energy conservation, and purchased-power options, including assessments of service reliability and financing requirements and risks. Requirements for analyzing purchased-power options are set forth in § 1710.254.

(c) Generally, studies of self-generation, load management, and energy conservation options shall include, as appropriate, analyses of:

(1) Capital and operating costs;

(2) Financing requirements and risks;

(3) System reliability;

(4) Alternative unit sizes;

(5) Alternative types of generation;

(6) Fuel alternatives;

(7) System stability;

(8) Load flows; and

(9) System dispatching.

(d) At the request of a borrower, RUS, in its sole discretion, may waive specific requirements of this section if such requirements imposed a substantial burden on the borrower and if such waiver will not significantly affect the accomplishment of the objectives of this subpart.

§ 1710.254 Alternative sources of power.

(a) *General.* (1) RUS will make loans to finance the construction of generation facilities by distribution or power supply borrowers and transmission facilities by power supply borrowers only under the following conditions if said borrowers do not already own and operate such types of facilities:

(i) Where no adequate and dependable source of power is available to meet the consumers' needs; or

(ii) Where the rates offered by other power sources would result in a higher cost of power to the consumers than the cost from facilities financed by RUS, and the amount of the power cost savings that would result from the

RUS-financed facilities bears a significant relationship to the amount of the proposed loan.

(2) If a borrower already owns and operates the types of facilities included in a loan request, then a loan for the purposes contained in paragraph (a)(1) of this section, as well as for the construction of transmission facilities by a distribution borrower, will be considered and evaluated by RUS in terms of whether the proposed facilities constitute an effective and economical means of meeting the power requirements of the consumers. A borrower shall contact RUS as soon as practicable in order for RUS to review information submitted by the borrower and advise the borrower, in writing, whether there is a need for the borrower to investigate and seek alternative sources of power. RUS will determine, based on information provided by the borrower or otherwise available, whether there is a need to investigate alternative sources of power or whether RUS will require information or other methods of determining the need for the generation capacity. RUS will base its determination on whether RUS is able to conclude that the project is needed, the borrower would incur delays and costs in pursuing an RFP, or that an RFP is not likely to produce new alternatives to the project.

(b) Loan requests for the addition of generation capacity, including replacement of existing capacity, will be accepted by RUS when the applicant has completed the requirements established by RUS, in a manner satisfactory to RUS. The investigations of alternative sources of power must be coordinated in advance with RUS. This section applies to RUS financed generation capacity whether owned solely by the borrower, owned on an undivided ownership basis with other utilities or substantially controlled by the borrower.

(c) The applicant may be required to seek and utilize capacity available from RUS borrowers and other organizations before developing plans for additional generation capacity. RUS may require, on a case by case basis, that the applicant, among other things:

(1) Solicit power and energy purchase proposals from all reasonable potential sources of power, such as other electric cooperatives, investor-owned utilities, municipal utility organizations, and Federal and state power authorities.

(2) Solicit proposals from independent power producers, including cogenerators, to determine the terms and conditions under which these producers can supply the additional power and energy needs of the applicant, without RUS financial assistance. Such solicitations should be placed in at least three national newspapers or trade publications, and they meet all planning, coordination or other requirements imposed by state authorities, as well as the environmental requirements of RUS.

(d) When solicitations are received in accordance with paragraph (c) of this section, the applicant will evaluate all alternative proposals on an economic, present-value basis, giving consideration to cost-effectiveness, reliability of service, the short-term and long-term financial viability of the supplier, and the financial risk to the borrower and its creditors. The applicant will keep RUS fully informed on these evaluations and provide supporting information and analysis as requested by RUS.

(e) After evaluation of all proposals received in accordance with paragraph (c) of this section, and having informed RUS of the results, the applicant may be required to negotiate final proposals with the entities submitting the best acceptable offers. Contracts requiring RUS approval will either be approved in advance by the Administrator or contain a provision that the contract is not valid until approved, in writing, by the Administrator. The Administrator will approve the contracts in a timely manner provided that the borrower has met all applicable requirements, including, among other matters, evidence that the alternative source of power selected is an economical and effective alternative.

(f) RUS may make independent inquiries with potential power suppliers as to the availability of power to meet borrowers' needs. Information developed by RUS will be shared with borrowers at their request.

(g) Further details of RUS requirements for financing of generation and

bulk transmission facilities are set forth in 7 CFR part 1712.

(h) At the request of a borrower, RUS, in its sole discretion, may waive specific requirements of paragraphs (b) through (e) of this section if such waiver is required to prevent unreasonable delays in obtaining generation capacity that could result in system reliability problems.

(Approved by the Office of Management and Budget under control number 0572–0032)

[57 FR 1053, Jan. 9, 1992, as amended at 65 FR 31247, May 17, 2000]

§§ 1710.255–1710.299 [Reserved]

Subpart G—Long-Range Financial Forecasts

§ 1710.300 General.

(a) RUS encourages borrowers to maintain a current long-range financial forecast. The forecast should be used by the board of directors and the manager to guide the system towards its financial goals.

(b) A borrower must prepare, for RUS review and approval, a long-range financial forecast, approved by its board of directors, in support of its loan application. The forecast must demonstrate that the borrower's system is economically viable and that the proposed loan is financially feasible. Loan feasibility will be assessed based on the criteria set forth in § 1710.112.

(c) The financial forecast and related projections submitted in support of a loan application shall include:

(1) The projected results of future actions planned by the borrower's board of directors;

(2) The financial goals established for margins, TIER, DSC, equity, and levels of general funds to be invested in plant;

(3) A pro forma balance sheet, statement of operations, and general funds summary projected for each year during the forecast period;

(4) A full explanation of the assumptions, supporting data, and analysis used in the forecast, including the methodology used to project loads, rates, revenue, power costs, operating expenses, plant additions, and other factors having a material effect on the balance sheet and on financial ratios such as equity, TIER, and DSC;

(5) Current and projected cash flows;

(6) Projections of future borrowings and the associated interest and principal expenses required to meet the projected investment requirements of the system;

(7) Current and projected kW and kWh energy sales;

(8) Current and projected unit prices of significant variables such as retail and wholesale power prices, average labor costs, and interest;

(9) Current and projected system operating costs, including, but not limited to, wholesale power costs, depreciation expenses, labor costs, and debt service costs;

(10) Current and projected revenues from sales of electric power and energy;

(11) Current and projected non-operating income and expense;

(12) A discussion of the historical experience of the borrower, and in the case of a power supply borrower its member systems as appropriate, with respect to the borrower's market competitiveness as it relates to the rates charged for electricity, competition from other fuels, and other factors. Additional data and analysis may be required by RUS on a case by case basis to assess the probable future competitiveness of those borrowers that have a history of serious competitive problems; and

(13) An analysis of the effects of major factors, such as projected increases in rates charged for electricity, on the ability of the borrower, and in the case of a power supply borrower its member systems, to compete with neighboring utilities and other energy sources.

(d) The following plans, studies and assumptions shall be used in developing the financial forecast:

(1) The RUS-approved CWP;

(2) RUS-approved power requirements data;

(3) The current rate schedules or new rates already approved by the board of directors;

(4) Future plant additions and operating expenses projected at anticipated