

# Fact Sheet

April 2020



## Federal Emergency Management Agency Disaster Assistance

### Key Facts

- Electric sector mutual assistance programs and FEMA disaster relief funding are essential to restoring electric service after major storms or disasters. A fully funded Disaster Relief Fund is imperative for electric cooperatives to effectively respond, especially in small communities that cannot fund major restoration efforts.
- Without FEMA assistance following a disaster, time and expense for recovery would increase dramatically.
- FEMA processes should be streamlined and clear to ensure consistency and efficiency for electric cooperatives.

### FEMA, Electric Co-op Mutual Assistance Vital to Disaster Restoration

Electric cooperatives depend on FEMA's Disaster Relief Fund to help restore electric power to consumer-members after presidentially declared disasters including floods, fires, hurricanes, tornadoes, and ice storms. Disasters can have a disproportionate impact on electric cooperatives and their consumer-members, due in large part to small communities having to bear the cost of recovery. Without FEMA reimbursement assistance to contribute to storm response expenses and ensure smooth recoveries from major natural disasters, many co-op member-consumers living in disaster-stricken areas would face significantly higher electric rates.

All electric systems can receive federal assistance for recovery after presidentially-declared disasters. Investor-owned utilities, as for-profit entities, use federal tax deductions and other accounting mechanisms to offset expenses for restoring power. Electric co-ops, however, are not-for-profit entities, and as such cannot use these mechanisms. Congress took note of the cooperative business model decades ago and identified the Disaster Relief Fund as the appropriate vehicle to offset disaster expenses incurred by electric cooperatives. When an electric cooperative service territory is included in a presidentially-declared disaster area, FEMA may reimburse a co-op up to 75 percent of the allowed costs of replacing damaged and destroyed co-op facilities. The co-op provides additional funds and is responsible for restoring service to pre-disaster levels.

Individual co-ops and their statewide organizations develop, maintain, and exercise emergency response plans to ensure readiness when a disaster strikes. When a disaster is so severe that an individual co-op is unable to recover quickly on its own, that co-op may make a request for mutual assistance, the process by which electric co-ops work together to help each other recover from disasters.

Electric co-ops have relied on mutual assistance since they were formed in the 1930s. In the 1990s, a formal mutual assistance agreement was developed by NRECA and the American Public Power Association, in coordination with FEMA. That agreement has been signed by more than 1,000 co-ops and municipally owned systems. Once a cooperative requests mutual assistance, statewide organizations representing the cooperatives coordinate sending crews and equipment to the impacted area.

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## Keep Electric Cooperatives' Rates Reasonable When Disaster Strikes

Restoring electric service as efficiently and safely as possible is the priority for co-ops after a disaster. Electric co-ops recognize the growing fiscal pressures on FEMA programs, and support streamlining disaster recovery programs while maintaining their commitment to efficient disaster recovery. NRECA urges the following reforms:

- Allow the use of FEMA funding to rebuild electric infrastructure to “build back better” not just to pre-disaster conditions. This will reduce the need for future recovery funding while helping FEMA address long-term fiscal concerns.
- Require consistent application of FEMA policies in order to avoid long delays and added costs as a result of appealing FEMA decisions that are inconsistent with prior decisions.
- Increase the small project threshold to at least \$500,000 to ease delivery of funds for small disaster assistance recovery projects to electric cooperatives.

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