

A = The total funds (\$) actually advanced from the first loan, including both RUS loan funds and funds from the supplemental loan, plus any unadvanced funds still available to the borrower after the rescission.

B = The total amount (\$) for facilities of the new loan request, including both RUS loan funds and funds from supplemental loans.

C = The proportion (%) of supplemental financing required on the loans according to paragraphs (a), (c)(1) and (c)(2) of this section.

D = The amount (\$) of supplemental funds actually advanced on the first loan, plus any unadvanced supplemental funds still available to the borrower after the rescission.

(iii) If a borrower's supplemental financing requirement as set forth in paragraphs (a), (c)(1), and (c)(2) of this section has changed between the most recent loan and the loan being considered, then the amount of supplemental financing required for the new loan will be the weighted average of the portions otherwise applicable on the two loans and will be computed as follows:

Supplemental financing amount, new loan = $(A \times C_1) + (B \times C_2) - D$

where:

A = The total funds (\$) actually advanced from the first loan, including both RUS loan funds and funds from the supplemental loan, plus any unadvanced funds still available to the borrower after the rescission.

B = The total amount (\$) for facilities of the new loan request, including both RUS funds and funds from supplemental loans.

C₁ = The proportion (%) of supplemental financing required on the old loan according to paragraphs (a), (c)(1) and (c)(2) of this section.

C₂ = The proportion (%) of supplemental financing required on the new loan according to paragraphs (a), (c)(1) and (c)(2) of this section.

D = The amount (\$) of supplemental funds actually advanced on the first loan, plus any unadvanced supplemental funds still available to the borrower after the rescission.

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6. Section 1710.112 is amended by adding a new paragraph (b)(10) to read as follows:

§ 1710.112 Loan feasibility.

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(b) * * *

(10) The borrower's projected capitalization, measured by its equity as a percentage of total assets, is adequate to enable the borrower to meet its financial needs and to provide service consistent with the RE Act. Among the factors to be considered in reviewing the borrower's projected capitalization are the economic strength of the borrower's service territory, the inherent cost of providing service to the territory, the disparity in rates between the borrower and neighboring utilities, the intensity of competition faced by the borrower from neighboring utilities and other power sources, and the relative amount of new capital investment required to serve existing or new loads.

7. Section 1710.115 is amended by revising paragraph (b) to read as follows:

§ 1710.115 Final maturity.

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(b) Loans made or guaranteed by RUS for facilities owned by the borrower generally must be repaid with interest within a period, up to 35 years, that approximates the expected useful life of the facilities financed. The expected useful life shall be based on the weighted average of the useful lives that the borrower proposes for the facilities financed by the loan, provided that the proposed useful lives are deemed appropriate by RUS. RUS Form 740c, Cost Estimates and Loan Budget for Electric Borrowers, submitted as part of the loan application must include, as a note, either a statement certifying that at least 90 percent of the loan funds are for facilities that have a useful life of 33 years or longer, or a schedule showing the costs and useful life of those facilities with a useful life of less than 33 years. The useful lives proposed by the borrower for the facilities financed must be consistent with the borrower's proposed depreciation rates for these facilities. In states where the borrower must obtain state regulatory authority approval of depreciation rates for rate making purposes, the depreciation rates used for the purposes of this paragraph shall be the rates currently approved by the state authority or rates for which the borrower plans to seek state authority approval, provided that these rates are deemed appropriate by RUS. In other states, if the rates proposed by the borrower are not deemed appropriate by RUS, RUS will base expected useful life on the depreciation rates listed in Bulletin 183-1, or its successor, revising such rates as necessary to reflect current industry practice (for availability of bulletins, see § 1710.5.). Final maturities for loans for the implementation of programs for demand side management and energy resource conservation and

on and off grid renewable energy sources not owned by the borrower will be determined by RUS. Due to the uncertainty of predictions over an extended period of time, RUS may add up to 2 years to the composite average useful life of the facilities in order to determine final maturity.

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§ 1710.116 [Removed and Reserved]

8. Section 1710.116 is removed and reserved.

9. Section 1710.251 is amended by revising paragraph (b) to read as follows:

§ 1710.251 Construction work plans—distribution borrowers.

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(b) A distribution borrower's CWP shall cover a construction period of between 2 and 4 years, and include all facilities to be constructed which are eligible for RUS financing, whether or not RUS financial assistance will be sought or be available for certain facilities. Any RUS financing provided for the facilities will be limited to a 4 year loan period. 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.

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10. Section 1710.252 is amended by revising paragraph (b) to read as follows:

§ 1710.252 Construction work plans—power supply borrowers.

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(b) Normally a power supply borrower's CWP shall cover a period of 3 to 4 years. While comprehensive CWP's 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.

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11. Subpart I is added to part 1710 to read as follows:

Subpart I—Application Requirements and Procedures for Insured and Guaranteed Loans

Sec.

1710.400 Initial contact.

1710.401 Loan application documents.

1710.402–1710.403 [Reserved]

1710.404 Additional requirements.

1710.405 Supplemental financing documents.

1710.406 Loan approval.

1710.407 Loan documents.