



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-282424

August 17, 1999

The Honorable John R. Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Stephen Horn
Chairman, Subcommittee on Government
Management, Information and Technology
Committee on Government Reform
House of Representatives

Subject: Rural Utilities Service: Status of Electric Loan Portfolio

This letter summarizes the information provided during July 15 and July 29, 1999, briefings to your offices. You had asked us to update the financial status of the Rural Utilities Service's (RUS) generation and transmission (G&T) borrowers and assess the likelihood of the federal government incurring losses in the future on loans to G&T borrowers. The briefings updated certain information on the RUS electric loan program included in our report, Federal Electricity Activities: The Federal Government's Net Cost and Potential for Future Losses (GAO/AIMD-97-110, September 19, 1997). The enclosed briefing slides highlight the results of our work and the information we provided during the briefings.

RESULTS IN BRIEF

G&T loans declined from \$22.5 billion as of September 30, 1996, to \$20.1 billion as of September 30, 1998, while the number of G&T borrowers increased from 55 to 56. The dollar amount of these G&T loans represents approximately 70 percent of RUS' total loan portfolio as of both dates.

The number of financially stressed¹ G&Ts has declined from 13 as of September 30, 1996, to 8 as of September 30, 1998, and their outstanding loan balances have declined

¹Borrowers considered financially stressed have either defaulted on their loans, had their loans restructured but are still experiencing financial difficulty, declared bankruptcy, or formally requested financial assistance from RUS.

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from \$10.5 billion to \$6.3 billion in the same period. This decline is due to RUS (1) reclassifying as financially viable 4 borrowers with \$2.4 billion in outstanding debt as of September 30, 1996, (2) reducing accrued interest on a loan to a borrower by \$1.1 billion as a result of a bankruptcy proceeding, (3) providing \$300 million of partial write-offs to two borrowers, one of which paid off the remaining loan balance of approximately \$152 million and is no longer a RUS borrower, and (4) approximately \$200 million of other payments net of interest accruals. Stressed G&T loans as of September 30, 1998, represented 31 percent of the total G&T electric loan portfolio.

Most of the financially troubled borrowers' problems stem from their investment in nuclear-generating plants that were completed late and over budget or in coal-fired generating plants that were built to satisfy anticipated industrial growth that did not materialize. According to RUS officials, the reasons the plant investments became uneconomical included rapidly increasing construction and material costs, changing Nuclear Regulatory Commission regulations, and soaring interest rates. This resulted in the G&Ts incurring high levels of debt and debt-servicing requirements. In addition, several states denied some of these borrowers' requests for rate increases to recover increasing costs. As a result, several G&T borrowers have been unable to service their debt and have asked RUS to restructure their loans. It is probable that the federal government will continue to incur losses from loan write-offs relating to RUS borrowers that are currently bankrupt and/or otherwise financially stressed.

The number of financially viable G&T borrowers has increased from 33 as of September 30, 1996, to 37 as of September 30, 1998, and their outstanding loan balances have increased from \$11.7 billion to \$13.0 billion in the same period. This increase can be primarily attributed to the reclassification of the four stressed G&T borrowers discussed above. Since our September 1997 report, there has been little or no change in the risk factors (competitive pressures, cost disparity, and state regulation of G&Ts) that impact currently viable G&T loans. While these risk factors have been somewhat mitigated by a strong economy, they continue to be applicable today.

We believe the future viability of these G&T loans will be determined based on their ability to be competitive in a deregulated market. Over half of the currently viable G&T borrowers have power production costs² that are higher in their respective regions than investor owned utilities (IOUs) or publicly owned generating utilities (POGs). The relatively high average production costs indicate that the majority of the

²We used average revenue per kilowatt-hour (kWh) to estimate power production costs. Power production costs of the G&Ts should reflect their average revenue per kWh because the G&Ts generally recover costs through rates with no profit. Average revenue per kWh is calculated by dividing total revenue from the sale of wholesale electricity by the total number of wholesale kWhs sold.

G&Ts currently considered viable may have difficulty competing in a deregulated market.

As with the financially stressed borrowers, some of the G&T borrowers currently considered viable have high debt costs because of investments in uneconomical plants. In addition, according to RUS officials, two unique factors cause cost disparity between the G&Ts and IOUs. One factor has been the inability to refinance higher cost Federal Financing Bank (FFB) debt when lower interest rates have prevailed. However, RUS officials said that recent legislative changes which enable cooperatives to refinance FFB debt with a prepayment penalty may help align G&T interest rates with those of the IOUs. The second factor is the sparser customer density per mile for cooperatives and the corresponding high cost of providing service to the rural areas.

Also, 17 of the viable G&T borrowers operate in states where regulatory commissions must approve rates, and several states have in the past denied borrowers' requests for rate increases to recover costs. This means that these borrowers may be left with significant unrecovered costs while competitive pressures are mounting. As a result of these risk factors, some losses from loans currently considered viable are probable in the future.

SCOPE AND METHODOLOGY

To update the financial status of the RUS G&T borrowers, we identified changes in the financial condition of the RUS G&T electric loan portfolio since our September 1997 report through September 30, 1998. Our update focused on the G&T loans, since they make up the majority, in terms of dollars, of the portfolio and generally pose the greatest risk of loss to the federal government.

Based on our review of agency reports and discussions with RUS management, we assessed the financial condition of G&T borrowers that RUS identified as financially stressed. We also reviewed and discussed with RUS management loans written off since our last review.

For borrowers that RUS does not consider financially stressed, we assessed the ability of RUS G&T cooperatives to withstand competitive pressures by analyzing the average revenue per kWh of 35 of the 48 viable G&T borrowers with loans outstanding of about \$13 billion as of September 30, 1998. We excluded the 11 G&Ts that only transmit electricity and 2 G&T borrowers that are not required to report financial statistics to RUS. We also excluded the 8 financially stressed borrowers discussed above. We compared the average revenue per kWh for the viable borrowers with regional averages for IOUs and POGs.

In assessing the likelihood of the federal government incurring future losses on loans to G&T borrowers, we used the criteria for contingencies from Statement of Federal

Financial Accounting Standards (SFFAS) No. 5, Accounting for Liabilities of the Federal Government. According to SFFAS No. 5, "a contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur." When a loss contingency exists, the likelihood that the future event or events will confirm the loss or the incurrence of a liability can range from probable to remote.

We applied these criteria and considered different risk factors based on discussions with agency officials and industry experts, analysis of financial and other data, review of various reports, site visits to three G&T borrowers, and our professional judgment.

We conducted our work from February 1999 through July 1999 in accordance with generally accepted government auditing standards. We requested comments on our draft briefing slides from RUS. They provided some clarifying comments that we incorporated into our slides as appropriate.

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We are sending copies of this letter to the Honorable John M. Spratt, Jr., and the Honorable Jim Turner, the Ranking Minority Members of your Committees; the Honorable Daniel Glickman, the Secretary of Agriculture; the Honorable Wally Beyer, the Administrator of RUS; the Honorable Jacob J. Lew, the Director of the Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request.

If you have any questions about this letter or the briefings, please contact me at (202) 512-9508 or McCoy Williams, Assistant Director, at (202) 512-6906. Key contributors to this assignment were Art Brouk and Carla Lewis.



Linda M. Calbom
Director, Resources, Community,
and Economic Development, Accounting
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Enclosure

(913871)

GAO Accounting and Information
Management Division

Briefings to the House Committee on the
Budget and the Subcommittee on
Government Management, Information
and Technology, House Committee on
Government Reform

Rural Utilities Service: Status of Electric
Loan Portfolio

July 15, 1999 and July 29, 1999

GAO Purpose

- To provide an update on the financial status of the Rural Utilities Service's (RUS) generation and transmission (G&T) borrowers
- To assess the likelihood of the federal government incurring losses in the future on loans to G&T borrowers.

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GAO Results in Brief

- The number of financially stressed G&Ts and their outstanding loan balances have declined from 13 and \$10.5 billion as of September 30, 1996 to 8 and \$6.3 billion as of September 30, 1998, respectively.
- Stressed G&T loans as of September 30, 1998 represent 31 percent of the total G&T electric loan portfolio.
- Future write-offs are probable in the short term for some of these financially stressed borrowers.

GAO Results in Brief

- The number of financially viable G&T borrowers and their outstanding loan balances have increased from 33* and \$11.7 billion as of September 30, 1996 to 37* and \$13 billion as of September 30, 1998, respectively.
- Since our September 1997 report, there has been little or no change in the risk factors (competitive pressures, cost disparity, and state regulation of G&Ts) that impact currently viable G&T loans.

*For fiscal year 1996, there were 42 financially viable borrowers with outstanding loan balances totaling \$12 billion; however, we excluded 9 entities that only transmit electricity. For fiscal year 1998, there were 48 financially viable borrowers with outstanding loan balances totaling \$14 billion; however, we excluded 11 entities that only transmit electricity.

GAO Results in Brief

- Over half of the currently financially viable G&T borrowers have average revenue per kilowatthour (kWh) that is higher in their respective regions than Investor Owned Utilities (IOUs) or Publicly Owned Generating Utilities (POGs).
- Some viable G&T borrowers have high debt costs.

GAO Results in Brief

- Several viable G&Ts operate in states where regulatory commissions must approve rates.
- As a result, some losses from loans currently considered viable are probable in the future.

GAO Scope and Methodology

- Identified changes in the financial condition of the RUS G&T electric loan portfolio since our September 1997 report (GAO/AIMD-97-110) through September 30, 1998. For our analysis of the average revenue per kWh, we used financial statistics of the electric utilities as of December 31, 1997, which was the most recent data available.

GAO Scope and Methodology

- Reviewed the financial condition of G&T borrowers identified as financially stressed by RUS, including G&T loans written off.
- Conducted an analysis of the competitive position of financially viable G&Ts using average revenue per kWh. We excluded 11 entities that only transmit electricity.

GAO Scope and Methodology

- Average revenue per kWh is calculated by dividing total revenue from the sale of wholesale electricity by the total number of wholesale kWhs sold.
- Because the G&Ts generally recover costs through rates with no profit, average revenue per kWh should reflect the power production costs of the G&Ts.

GAO Scope and Methodology

- Average revenue per kWh has its limitations when used as a substitute for the price of power. However, average revenue per kWh is a good general indicator of production costs since, over time, utilities must recover all costs to remain in business.

GAO Scope and Methodology

- In a competitive market for a relatively homogeneous product like electricity, being among the lowest cost producers is generally the most important factor in determining competitive position.

GAO Scope and Methodology

- Assessed the risk of future G&T losses using the criteria for contingencies from SFFAS No. 5, Accounting for Liabilities of the Federal Government.
 - Probable
 - Reasonably possible
 - Remote

GAO Scope and Methodology

- Conducted site visits to 3 G&T borrowers.
- Conducted interviews with agency officials and industry experts.
- Identified states that have passed legislation on restructuring in the electricity industry and considered the impact of restructuring* on G&T competitive position.

* The Energy Information Administration (EIA) defines restructuring as a transition from a vertically integrated and regulated monopoly to an entity in a competitive market where retail customers choose the suppliers of their electricity.

GAO Scope and Methodology

- Reviewed various reports:
 - Rural Development's fiscal year 1998 financial statements (which encompass RUS),
 - Department of Agriculture Office of Inspector General report on RUS' electric loan program,

GAO Scope and Methodology

- G&T annual reports, and
- electric industry reports on restructuring of the electricity industry.
- We conducted our work in accordance with generally accepted government auditing standards between February and July 1999.

GAO Background

- RUS provides direct or guaranteed loans primarily to rural electric cooperatives that market power on a wholesale and retail basis.
- The rural electric cooperatives are either G&Ts or distribution cooperatives.

GAO Background

As of:	<u>9/30/96</u>	<u>9/30/98</u>
	(Dollars in billions)	
Total electric loan portfolio (100%)	\$32.3	\$29.0
G&T electric loan portfolio (70%)	\$22.5	\$20.1
No. of G&T borrowers	55	56

GAO Background

- In September 1997, we reported that:
 - the total amount of write-offs related to the electricity activities of RUS between fiscal year 1992 and July 31, 1997 was about \$1.5 billion,
 - additional losses from financially stressed G&T borrowers were probable in the short term, and
 - some losses from loans currently considered viable were probable in the future.

GAO Background

- Restructuring of the electricity industry is continuing, with electricity generation markets being opened to competition.
- Current legislation requires that utilities make their transmission lines accessible to other utilities to transmit wholesale electricity. This enables wholesale customers to obtain electricity from a variety of competing suppliers and has resulted in increased wholesale competition in the electricity industry.

GAO Background

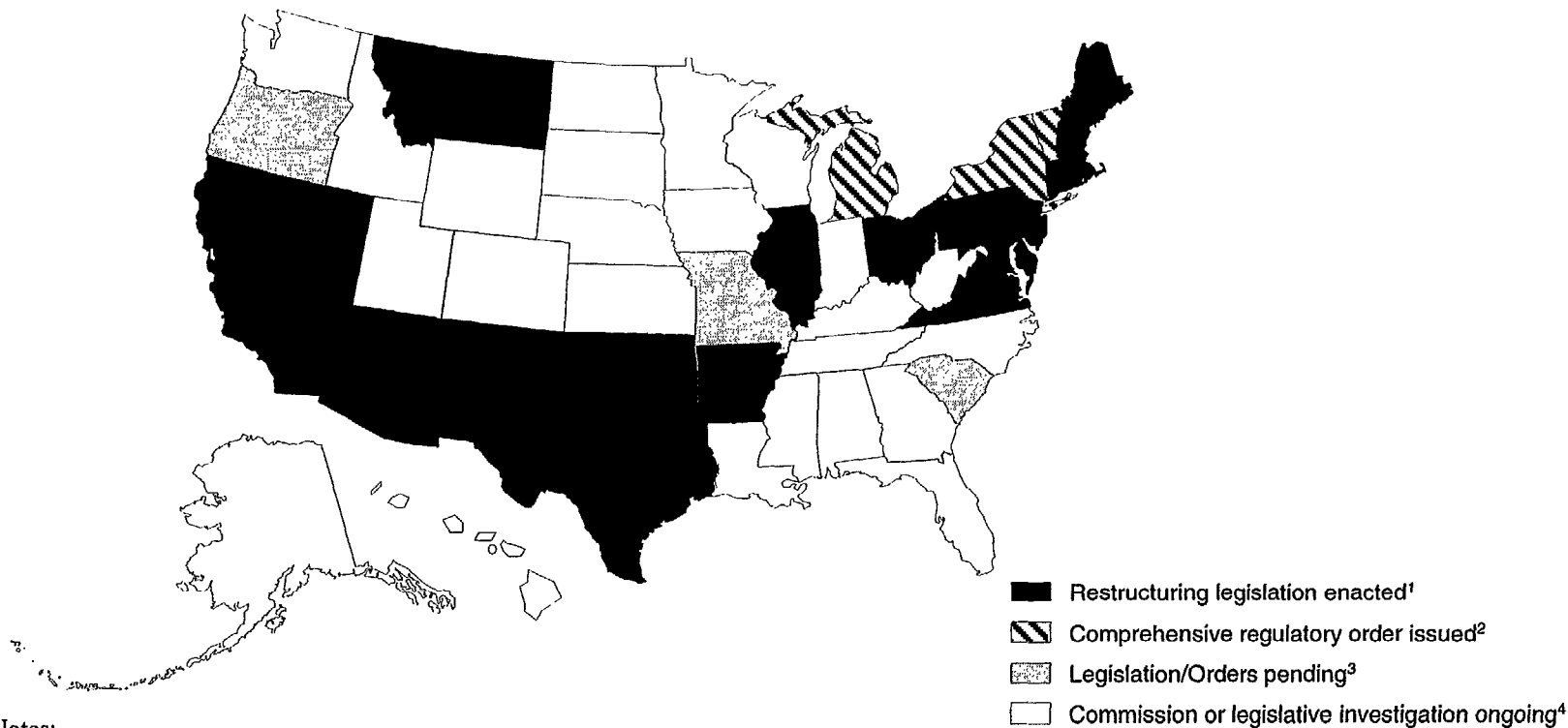
- Continuing deregulation efforts in some states have led to competition at the retail level.
- Industry experts expect that retail deregulation will continue to occur on a state-by-state basis over the next several years.

GAO Background

- According to the Energy Information Administration, as of July 1, 1999, 23 states have restructuring legislation enacted and/or comprehensive regulatory orders issued.
- At the federal level, legislation intended to increase competition within the federal electricity industry has been introduced (H.R. 1828 and S. 1047), but has not been enacted.

GAO Background

Figure 1: Status of Restructuring as of July 1, 1999



Notes:

1 = Arizona, Arkansas, California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, and Virginia.

2 = Michigan, New York, and Vermont.

3 = Missouri, Oregon, and South Carolina.

4 = Alabama, Alaska, Colorado, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Nebraska, North Carolina, North Dakota, South Dakota, Tennessee, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

Status of Financially Stressed G&T Borrowers

	<u>9/30/96</u>	<u>9/30/98</u>
No. of stressed G&Ts	13	8
Loan balance of stressed G&Ts (in billions)	\$10.5	\$6.3
Loan balance of stressed G&Ts as % of total G&T electric loan portfolio	47%	31%

GAO **Status of Financially Stressed
G&T Borrowers**

**Reconciliation of Stressed Borrowers'
Outstanding Debt**

	<u>Dollars in billions</u>
Outstanding debt as of 9/30/96	\$10.5
Debt reclassified as financially viable	(2.4)
Interest accrual adjustment	(1.1)
Write-offs	(.3)
Debt paid off	(.2)
Other payments, net of interest accruals	(.2)
Outstanding debt as of 9/30/98	\$6.3

GAO Financially Stressed Borrowers --
Total Debt Outstanding

<u>Borrower</u>	<u>9/30/98</u> (Dollars in millions)
Borrower A	\$4,138.3
Borrower B	619.8
Borrower C	425.4
Borrower D	333.8
Borrower E	307.1
Borrower F	175.9
Borrower G	174.3
Borrower H	88.3
Total	\$6,262.9

GAO Financially Stressed Borrowers (9/30/98)
Borrower A - \$4,138.3 million

- Invested in a nuclear plant in the 1970s which was completed late and experienced construction cost overruns.
- Borrower has been in bankruptcy since December 1994.
- RUS anticipates a court ordered write-off of approximately \$3 billion.

GAO Financially Stressed Borrowers (9/30/98)
Borrower B - \$619.8 million

- Borrower overbuilt due to anticipated growth in electricity demand that did not occur.
- RUS previously restructured loans in May 1988.
- RUS is holding preliminary discussions with borrower regarding additional debt restructuring.

GAO Financially Stressed Borrowers (9/30/98)
Borrower C - \$425.4 million

- Invested in a nuclear plant that proved to be uneconomical.
- In March 1999, RUS restructured borrower's FFB loans to provide more favorable payment terms to improve borrower's competitive position in a state with deregulation.
- RUS anticipates a partial write-off when notes are due in year 2008.

GAO Financially Stressed Borrowers (9/30/98)
Borrower D - \$333.8 million

- Originally considered stressed by RUS because borrower requested a partial write-off.
- Borrower is planning merger with another RUS cooperative.
- RUS anticipates no write-off assistance due to assumption of borrower D's outstanding debt by merger partner.

GAO Financially Stressed Borrowers (9/30/98)
Borrower E - \$307.1 million

- Invested in a nuclear plant that proved to be uneconomical.
- In May 1999, RUS restructured borrower's loans to provide more favorable payment terms to improve borrower's competitive position.
- RUS anticipates a partial write-off when notes are due in year 2009.

GAO Financially Stressed Borrowers (9/30/98)
Borrower F - \$175.9 million

- Invested in construction of a nuclear plant that was never completed.
- In December 1996, court approved reorganization plan.
- According to RUS, under the court approved plan, RUS received \$289.1 million in cash payments.
- Current balance reflects a court ordered write-off of \$165 million.

GAO Financially Stressed Borrowers (9/30/98)
Borrower G - \$174.3 million

- Made an investment in a nuclear plant that proved to be uneconomical.
- RUS continues to work with borrower to reduce rates to a more competitive level.
 - In August 1998, the State Commission approved an interim rate reduction.
- RUS anticipates no write-off assistance.

GAO Financially Stressed Borrowers (9/30/98)
Borrower H - \$88.3 million

- Invested in several nuclear plants that proved to be uneconomical.
- Filed for bankruptcy in April 1996.
- RUS anticipates a court ordered write-off of at least \$78 million by the end of 1999.

GAO G&T Borrowers Dropped Since the
1996 Financially Stressed List

**Total debt outstanding
(Dollars in millions)**

<u>Borrower</u>	<u>9/30/96</u>	<u>9/30/98</u>
Borrower I	\$1,070.7	\$1,131.2
Borrower J	1,101.2	1,287.6
Borrower K	167.9	221.4
Borrower L	103.2	94.5
Borrower M	313.4	0
Total	\$2,756.4	\$2,734.7

GAO G&T Borrowers Dropped Since the
1996 Financially Stressed List

- Borrower I - \$1,131.2 million
 - Strong economy has improved financial condition, and RUS is not considering any write-off for this borrower.

G&T Borrowers Dropped Since the 1996 Financially Stressed List

- Borrower J - \$1,287.6 million
 - As part of an approved bankruptcy plan, RUS restructured loans in July 1998 to provide more favorable payment terms.
 - RUS management anticipates that the federal government's recovery on debt should exceed 95 percent, with a reasonable potential for full recovery.

GAO **G&T Borrowers Dropped Since the
1996 Financially Stressed List**

- Borrower K - \$221.4 million
 - Strong economy has improved financial condition, and borrower is no longer requesting a write-off.
- Borrower L - \$94.5 million
 - Strong economy has improved financial condition, and borrower is no longer requesting a write-off.

GAO G&T Borrowers Dropped Since the
1996 Financially Stressed List

- Borrower M - \$0
 - Received partial write-off of \$164.8 million and paid off remaining balance of \$152 million. G&T is no longer a RUS borrower.

GAO

Status of Financially Viable
G&T Borrowers

9/30/96 9/30/98

Financially viable 33* 37*

Total debt outstanding \$11.7B \$13.0B

*For fiscal year 1996, there were 42 financially viable borrowers with outstanding loan balances totaling \$12 billion; however, we excluded 9 entities that only transmit electricity. For fiscal year 1998, there were 48 financially viable borrowers with outstanding loan balances totaling \$14 billion; however, we excluded 11 entities that only transmit electricity.

GAO Status of Financially Viable G&T Borrowers

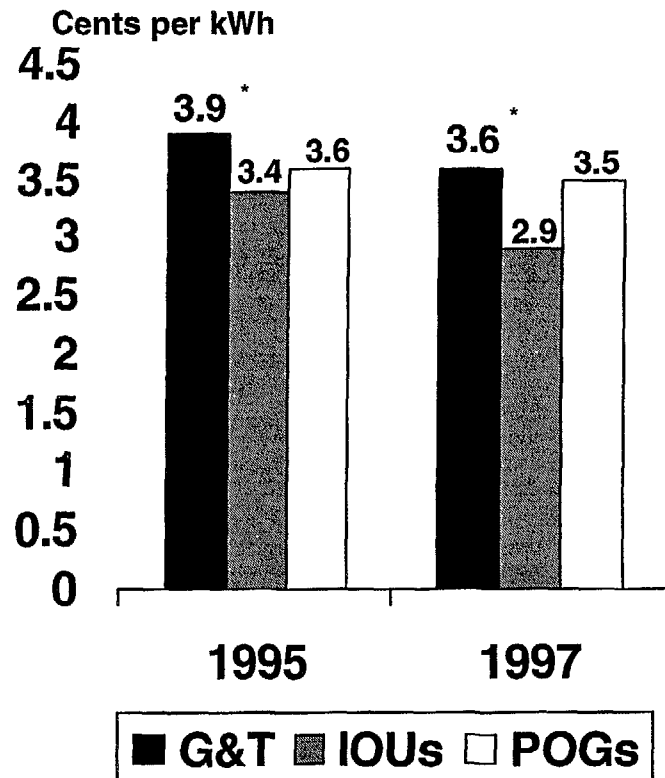
- Moody's bond ratings available for 9 G&Ts, all of which received ratings that represent good or adequate financial security.
 - 8 of the 9 G&T borrowers have an "A1 to A3" bond rating. The remaining G&T has a "Baa2" bond rating.
- Most G&T borrowers have average revenue per kWh that is higher in their respective regions than the average revenue per kWh for IOUs.

GAO Status of Financially Viable G&T Borrowers

- Over half of the G&T borrowers have average revenue per kWh that is higher in their respective regions than that for POGs.
- The relatively high average production costs indicate that the majority of G&Ts may have difficulty competing in a deregulated market.

GAO Status of Financially Viable G&T Borrowers

Figure 2: Comparison of Average Revenue Per kWh of G&Ts to IOUs and POGs (National Average)

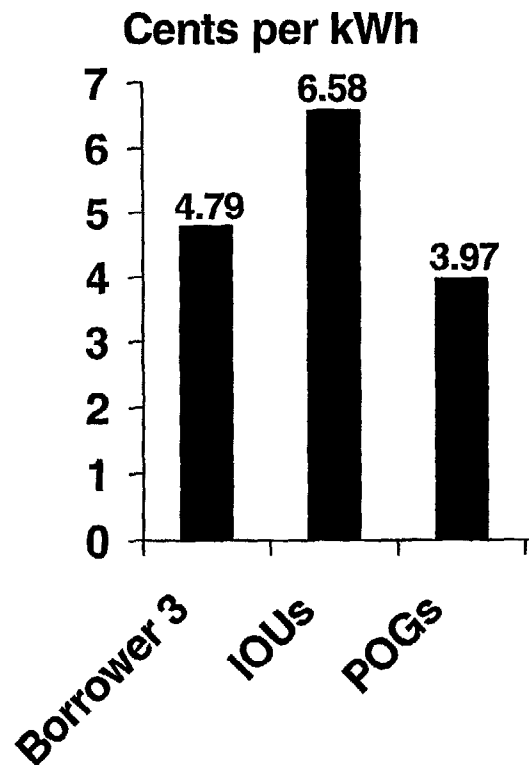


Source: EIA

* EIA's national average rates also includes transmission only utilities.

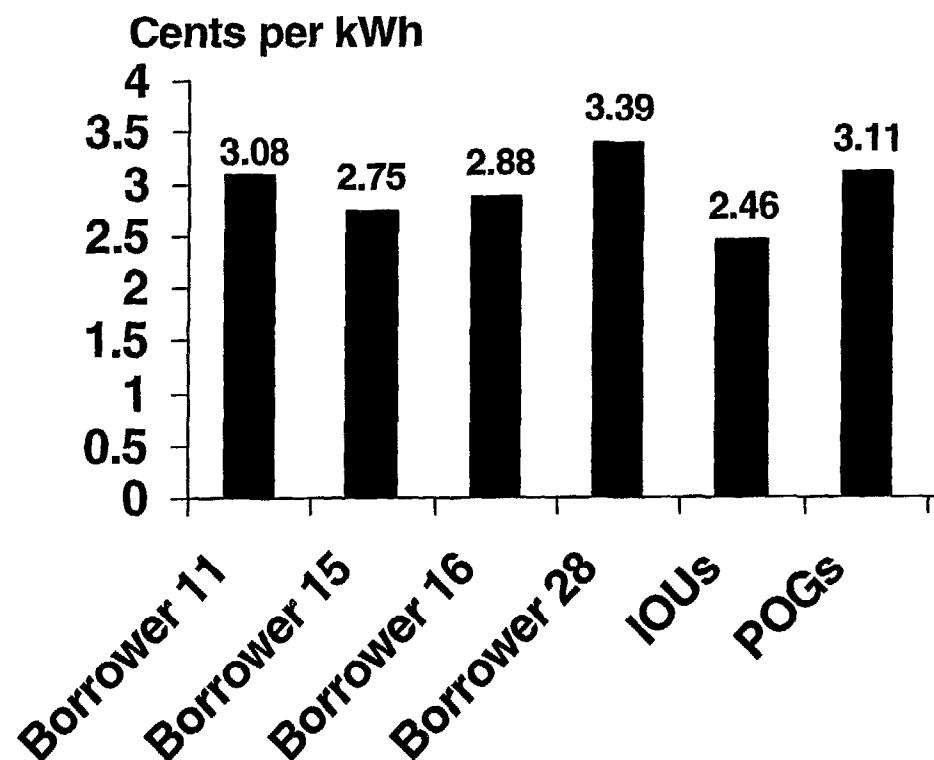
GAO Status of Financially Viable G&T Borrowers

Figure 3: Average Revenue per kWh for G&Ts in the Alaska Systems Coordinating Council Region (as of December 31, 1997)



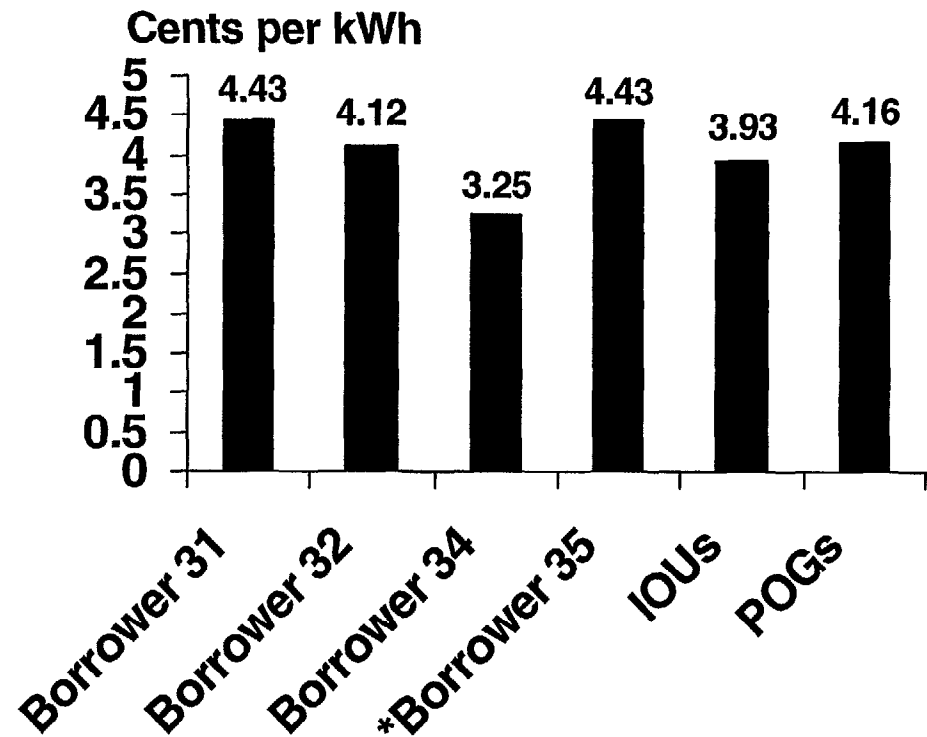
GAO Status of Financially Viable G&T Borrowers

Figure 4: Average Revenue per kWh for G&Ts in the East Central Area Reliability Coordination Agreement Region (as of December 31, 1997)



GAO Status of Financially Viable G&T Borrowers

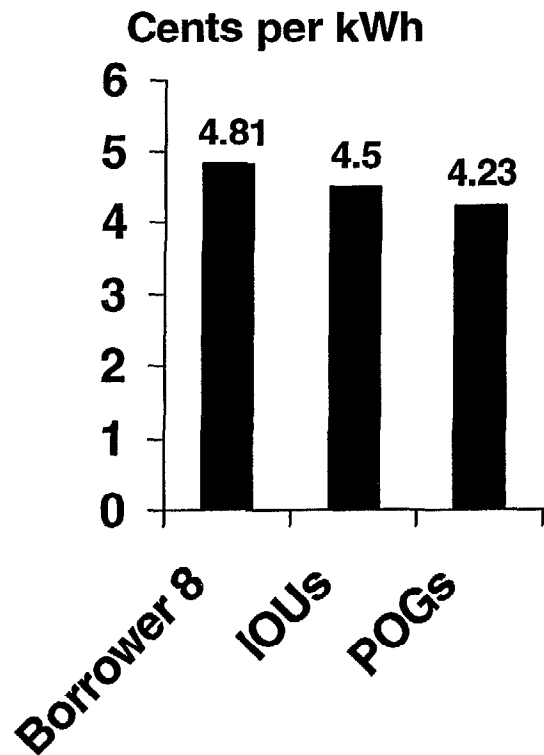
Figure 5: Average Revenue per kWh for G&Ts in the Electric Reliability Council of Texas (ERCOT) Region (as of December 31, 1997)



* Overlaps 2 regions - Southwest Power Pool and ERCOT

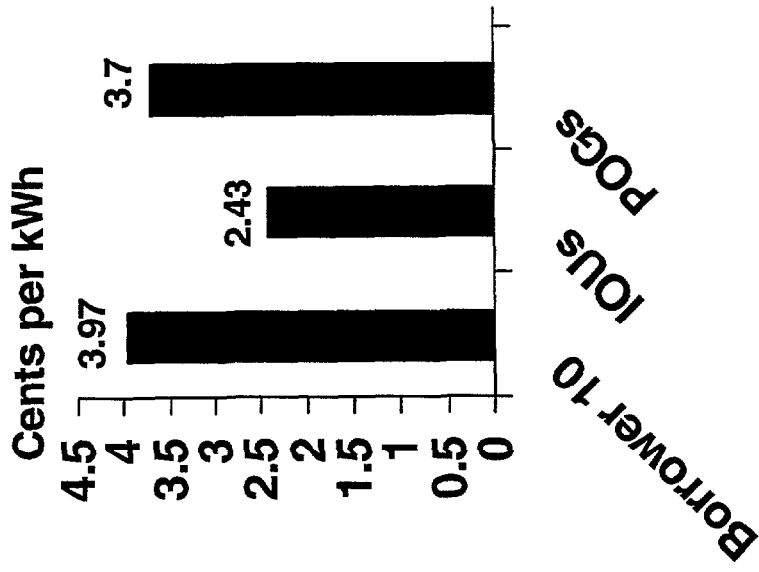
GAO Status of Financially Viable G&T Borrowers

Figure 6: Average Revenue per kWh for G&Ts in the Florida Region Coordinating Council Region (as of December 31, 1997)



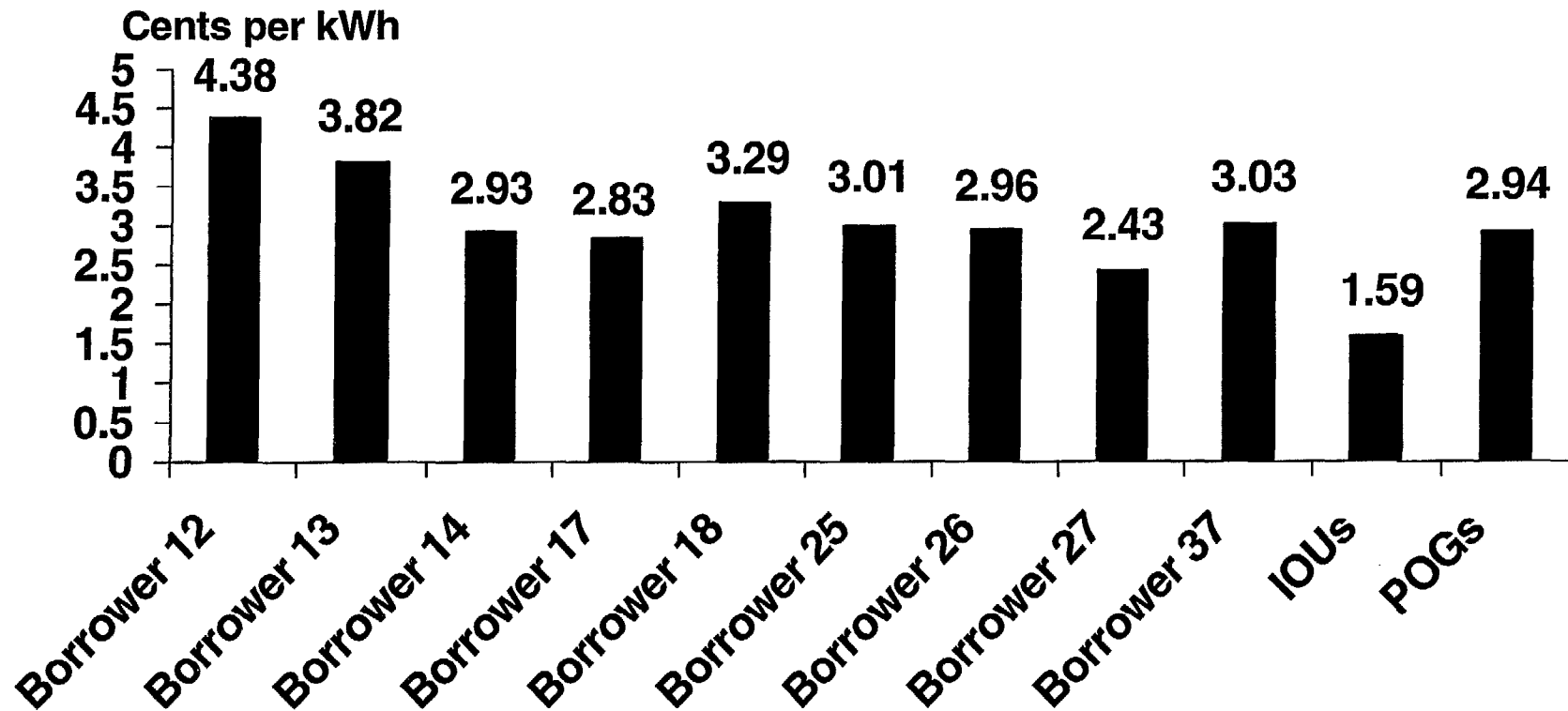
GAO Status of Financially Viable G&T Borrowers

Figure 7: Average Revenue per kWh for G&Ts in the Mid-America Interconnected Network Region (as of December 31, 1997)



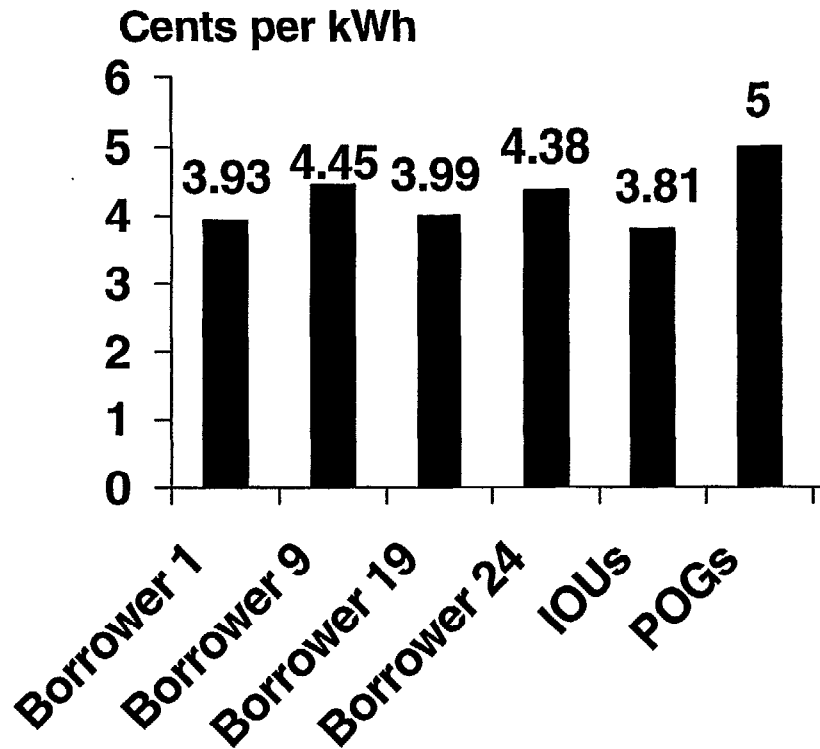
GAO Status of Financially Viable G&T Borrowers

Figure 8: Average Revenue per kWh for G&Ts in the Mid-Continent Area Power Pool Region (as of December 31, 1997)



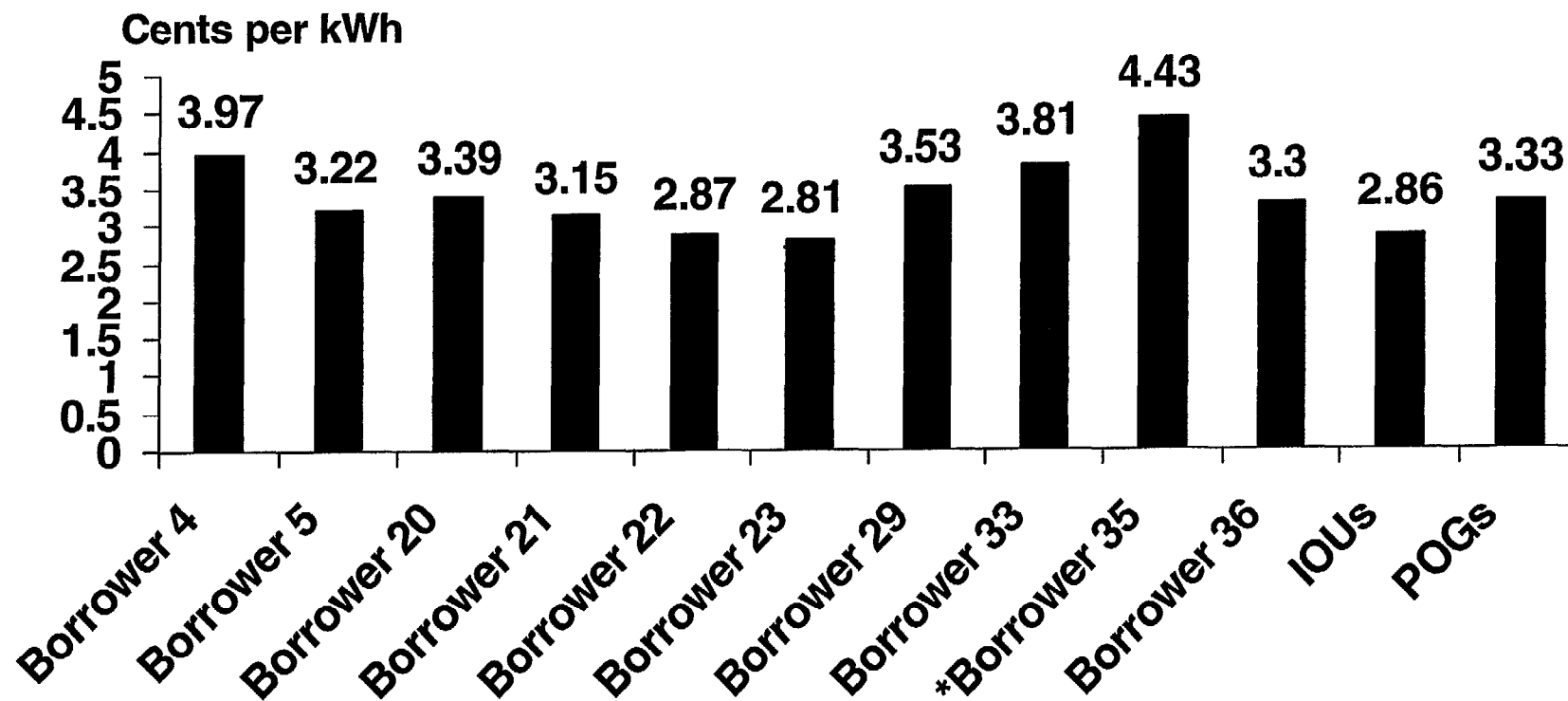
GAO Status of Financially Viable G&T Borrowers

Figure 9: Average Revenue per kWh for G&Ts in the Southeastern Electric Reliability Council Region (as of December 31, 1997)



GAO Status of Financially Viable G&T Borrowers

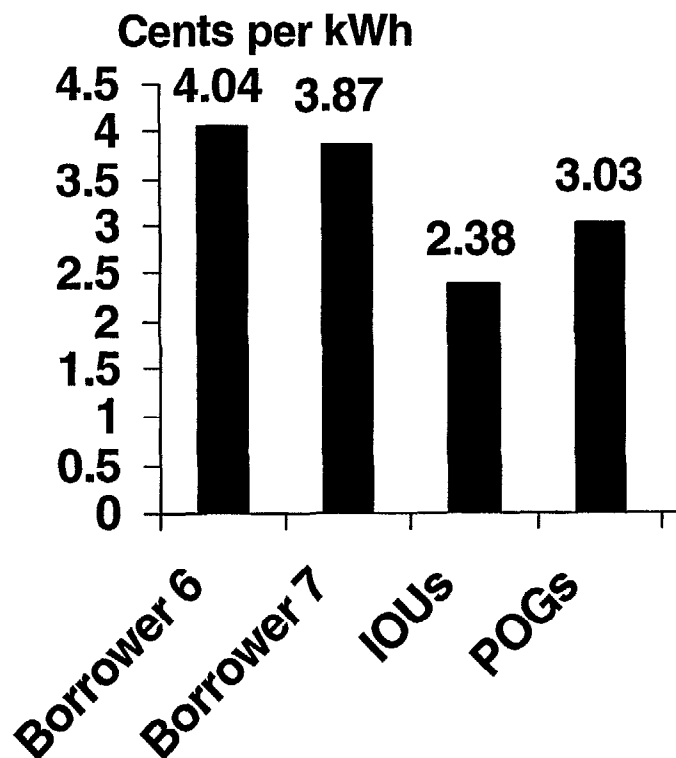
Figure 10: Average Revenue per kWh for G&Ts in the Southwest Power Pool (SPP) Region (as of December 31, 1997)



* Overlaps 2 regions - SPP and ERCOT

GAO Status of Financially Viable G&T Borrowers

Figure 11: Average Revenue per kWh for G&Ts in the Western Systems Coordinating Council Region (as of December 31, 1997)



GAO Status of Financially Viable G&T Borrowers

- 11 RUS G&Ts identified as financially viable are located in states with deregulation legislation.
- Of these 11 financially viable RUS G&Ts:
 - 10 had higher average revenue per kWh than IOUs in their respective regions.
 - 7 had higher average revenue per kWh than POGs in their respective regions.

GAO Risk Factors of Financially Viable G&T Loans

- In our previous report, we identified several risk factors that impact the future viability of G&T loans. While these risk factors have been somewhat mitigated by a strong economy, they continue to be applicable today.
 - Competitive pressures
 - Costs disparity
 - State regulation of G&Ts

GAO Risk Factors of Financially Viable G&T Loans

- Competitive pressures - Little change
 - Average revenue per kWh analysis used to assess the G&Ts' ability to be competitive in a restructured industry.
- Our results identified little change between our previous report and our current assignment in the number of G&Ts with higher production costs than IOUs or POGs in their respective regions.

GAO Risk Factors of Financially Viable G&T Loans

- 1995 Results (from our 1997 report)
 - 27 of 33 had higher production costs than IOUs
 - 17 of 33 had higher production costs than POGs
- 1997 Results (from our current work)
 - 32 of 35* had higher production costs than IOUs
 - 18 of 35* had higher production costs than POGs

*Two of the 37 borrowers are not required to report financial statistics to RUS and, therefore, are excluded from our analysis.

GAO Risk Factors of Financially Viable G&T Loans

- Costs disparity - No change
 - As identified in our previous report, some G&T borrowers currently considered viable have high debt costs because of investments in uneconomical plants.
- According to RUS officials, two unique factors cause additional cost disparity between the G&Ts and IOUs.
 - sparser customer density per mile
 - significant cost to refinance higher cost FFB debt

GAO Risk Factors of Financially Viable G&T Loans

- State regulation of G&Ts - Little change
 - 17 G&Ts operate in states where regulatory commissions must approve changes in rates.
- In the past, several state commissions have denied borrowers' requests for rate increases as a means to recover costs.

GAO Risk Factors of Financially Viable
G&T Loans

- Therefore, G&Ts with high costs may be at risk of default on their RUS loans, even without direct competitive pressures.

Assessment of the Risk of the Federal Government Incurring Additional Losses

- Future write-offs are probable in the short term for some of the financially stressed borrowers.
- Some losses from loans currently considered viable are probable in the future.

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