

$$\text{ODSC} = \frac{A + B + C}{D}$$

where:

A = Depreciation and Amortization Expense;

B = Interest on Long-term Debt, except that Interest on Long-term Debt shall be increased by  $\frac{1}{3}$  of the amount, if any, by which the rentals of Restricted Property exceed 2 percent of Total Margins and Equities;

C = Patronage Capital & Operating Margins (distribution borrowers) or Operating Margins (power supply borrowers); and

D = Debt Service Billed (RUS + other) which equals all interest and principal billed during the calendar year plus  $\frac{1}{3}$  of the amount, if any, by which the rentals of Restricted Property exceed 2 percent of Total Margins and Equities. Unless otherwise indicated, all terms used in defining ODSC and OTIER are as defined in RUS Bulletin 1717B-2 Instructions for the Preparation of the Financial and Statistical Report for Electric Distribution Borrowers, and RUS Bulletin 1717B-3 Instructions for the Preparation of the Operating Report for Power Supply Borrowers and for Distribution Borrowers with Generating Facilities, or the successors to these bulletins.

*Operating TIER* means Operating Times Interest Earned Ratio (OTIER) calculated as:

$$\text{OTIER} = \frac{A + B}{A}$$

where:

A = Interest on Long-term Debt, except that Interest on Long-term Debt shall be increased by  $\frac{1}{3}$  of the amount, if any, by which the rentals of Restricted Property exceed 2 percent of Total Margins and Equities; and

B = Patronage Capital & Operating Margins (distribution borrowers) or Operating Margins (power supply borrowers).

*Own funds* means money belonging to the borrower other than the proceeds of loans made or guaranteed by RUS. Such proceeds include, but are not limited to, all funds on deposit in the cash-construction fund-trustee account.

*Regulatory created assets* means the sum of the amounts properly recordable in Account 182.2 Unrecovered Plant and Regulatory Study Costs, and Account 182.3 Other Regulatory Assets of the Uniform System of Accounts.

*RUS* means the Rural Utilities Service, an agency of the U.S.

Department of Agriculture established pursuant to Section 232 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 (Pub. L. 103-354, 108 Stat. 3178, 7 U.S.C. 6941 et seq.) and, for purposes of this subpart, includes its predecessor, the Rural Electrification Administration.

*RUS mortgage* means any and all instruments creating a lien on or security interest in the borrower's assets in connection with loans or guarantees under the RE Act.

*RUS loan contract* means the loan contract between the borrower and RUS.

*Solid waste disposal system* means any system of community infrastructure that provides collection and/or disposal of solid waste and whose services are available by design to all or a substantial portion of the members of the community.

*Subsidiary* means a company which is controlled by the borrower through ownership of voting stock, and is further defined in 7 CFR 1767.10.

*Supplemental lender* means a lender that has provided a supplemental source of financing that is secured by the RUS mortgage.

*Telecommunication and other electronic communication system* means any community infrastructure that provides telecommunication or other electronic communication services and whose services are available by design to all or a substantial portion of the members of the community.

*Total assets* means the total assets of the borrower as calculated according to the Uniform System of Accounts, less regulatory created assets.

*Total utility plant* means the sum of the borrower's Electric Plant Accounts and Construction Work in Progress—Electric Accounts, as such terms are used in the Uniform System of Accounts.

*Uniform System of Accounts* means the system of accounts prescribed for RUS borrowers in 7 CFR part 1767.

*Water and waste disposal system* means any system of community infrastructure that supplies water and/or collects and treats waste water and whose services are available by design to all or a substantial portion of the members of the community.

#### **§ 1717.653 Transactions below the 15 percent level.**

(a) A borrower in compliance with all provisions of its RUS mortgage, RUS loan contract, and any other agreement with RUS may, without prior written approval of the Administrator, invest its own funds or make loans or guarantees not in excess of 15 percent of its total utility plant without regard to any

provision contained in any RUS mortgage or RUS loan contract to the effect that the borrower must obtain prior approval from RUS. However, funds necessary to make timely payments of principal and interest on loans secured by the RUS mortgage remain subject to RUS controls on borrower investments, loans and guarantees.

(b) RUS will require that any electric loan made or guaranteed by RUS after [Date 30 days after the final rule is published in the **Federal Register**] shall be subject to a provision in the loan contract or mortgage restricting investments, loans and guarantees by the Borrower substantially as follows: The borrower may, to the extent permitted by this subpart, invest its own funds or make loans or guarantees not in excess of 15 percent of its total utility plant, as those terms are used in said subpart.

(c) RUS will not consider requests from borrowers to approve or exclude investments, loans, or guarantees made below the 15 percent level. (Categorical exclusions are set forth in 1717.654.)

#### **§ 1717.654 Exclusion of certain investments, loans, and guarantees.**

(a) In calculating the amount of investments, loans and guarantees permitted under this subpart, there is excluded from the computation any investment, loan or guarantee of the type which by the terms of the borrower's RUS mortgage or RUS loan contract the borrower may make in unlimited amounts without RUS approval.

(b) Furthermore, the borrower may make unlimited investments, without prior approval of the Administrator, in:

- (1) Securities or deposits issued, guaranteed or fully insured as to payment by the United States Government or any agency thereof;
- (2) Capital term certificates, bank stock, or other similar securities of the supplemental lender which have been purchased as a condition of membership in the supplemental lender, or as a condition of receiving financial assistance from such lender, as well as any other investment made in, or loans made to, the National Rural Utilities Cooperative Finance Corporation or the National Bank for Cooperatives;
- (3) Patronage capital allocated from a power supply cooperative of which the borrower is a member.

(c) Without prior approval of the Administrator, the borrower may also:

- (1) Invest or lend funds derived directly from grants received from, or loans made or guaranteed by, an agency of the U.S. Department of Agriculture