

June 13, 2014

TO: NRECA Board of Directors
Distribution CEOs
Statewide Managers
G&T Managers

FROM: Jo Ann Emerson

50th Electric Co-op Youth Tour Highlights Our Future Leaders!

I'm excited to see our brightest high school juniors and seniors are arriving for the 50th annual Electric Co-op Youth Tour. A record [1,644 students](#) from 43 states are participating! Activities include visits with congressional leaders and staff. We'll also officially launch our partnership with the Points of Light Foundation, which will help us create opportunities for Youth Tour delegates to start or enrich community service projects with co-ops. Thank you to co-op sponsors, the 311 chaperones and the Youth Tour Directors from each state. See highlights on [Facebook](#) and follow on [Twitter](#). Use #YTDC, #CoopsInTheCommunity and #CoopsGiveBack.

President Signs Water Infrastructure Bill that Helps Co-ops

It's another win for electric co-ops to see water resources reauthorization legislation become law (Pub.L. No. 113-121). It includes a cost-sharing program to help speed up Army Corps of Engineers permit reviews by allowing public interests (including co-ops) to pay some costs. We also defeated language that could threaten co-op access to low-cost federal hydropower from Corps facilities. This law helps ensure 600 co-ops in 34 states can continue to rely on federal hydropower to keep rates as low as possible.

Secretary Vilsack Hears Co-op Concerns on EPA Proposals and USDA Environmental Policy

I had a very productive meeting with Agriculture Secretary Tom Vilsack today on three co-op priorities. We talked about EPA's power plant GHG proposals and the need to ensure co-ops can provide affordable and reliable power to their members. Secretary Vilsack said he'll remain involved in the Administration discussions on the issue and raise our concerns. Secretary Vilsack also said he understands that we have major concerns about USDA's proposed environmental review policy changes that could harm Rural Utilities Service borrowers and he'll give it personal attention to ensure that any changes will make sense. The Secretary also asked for our help on the RUS Energy Efficiency and Conservation Loan Program to make certain it is useful for RUS borrowers.

EPA Expects 'Significant' Changes in Existing Plant GHG Proposal

We're not surprised to hear EPA Administrator Gina McCarthy say she expects "significant revisions" to the proposed power plant greenhouse gas (GHG) rule before a final rule is issued next year. She says there will be a "lot of give and take" with the states on this very complex proposal that requires each state to develop its own CO₂ emission reduction plan in up to three years. EPA has set different reduction standards for each state and it will be more difficult and

costly for some states to meet the standards. So, it's important for co-ops to work closely with their state officials who will send comments on EPA's proposal and provide information on how co-ops will be affected. Once each state's reduction goals are set and the rule becomes final, it will be nearly impossible to get them changed.

We continue to read and try to understand the complex proposal, and we'll be asking EPA officials detailed questions at two opportunities next week. We'll be developing more and more tools for you to use with your grassroots and state political leaders. And, we'll also be working with co-ops to speak at four public hearings the week of July 28 in Atlanta, Denver, Pittsburgh and Washington, DC.

'All-of-the-Above' Campaign Update: Push for Comments on EPA's Existing Plants Rule

We need to keep reminding the Administration that we want a true "all-of-the-above" energy policy. Help keep ramping up your grassroots pressure on EPA and its climate change agenda through Action.coop and TellEPA.com. This is a good time to send an e-mail to your co-op members and employees about how EPA's proposed existing plant GHG rule will impact them. You can get templates of e-mails and social media messages in the [Online Resources](#) section of Action.coop. EPA's proposed rule will appear soon in the *Federal Register* and we'll push to get comments right up to the expected mid-October deadline. See your progress on [messages](#) and [state](#) and [co-op](#) tallies.

Congress Urged to Take Action on Cybersecurity Information Sharing Bill

We signed an electricity sector letter (attached) supporting the Senate Intelligence Committee's efforts to move cybersecurity information-sharing legislation. The bipartisan draft proposal includes guidelines for federal agencies to share information about critical infrastructure threats with the private sector. It also provides liability protection for critical infrastructure owner/operators that share information with the government. Our updated [Cybersecurity Toolkit](#) has a new guide and template on cybersecurity and risk mitigation plans.

Good Progress on NERC Reliability Efforts, Keep Burdens Low on Distribution Co-ops

Our comments at FERC's reliability technical conference highlighted electric co-ops' participation in the North America Electricity Reliability Corp.'s standards development and compliance initiatives. We support NERC's risk-based registration program that focuses on lowering or removing compliance burdens on distribution co-ops that have little or no impact on Bulk Electric System (BES) reliability. We support the new BES definition and the process for determining exceptions. We also continue to support NERC's Reliability Assurance Initiative, an effort to refine compliance burdens that will not be complete until 2016. But, it's still unclear how much this initiative will change NERC's current compliance and enforcement process.

Committees Put Spotlight on Flawed Waters Proposal

We applaud congressional committees for putting a spotlight on problems with the "Waters of the U.S." proposal to expand the Clean Water Act. Electric co-ops would be harmed by EPA and the Army Corps of Engineers' proposal to expand the law to cover ditches, flood plains, wetland and seasonal streams. During a Transportation and Infrastructure subcommittee hearing, state groups testified they had no input on the proposal. In separate action, the Senate Small

Business Committee sent a [letter](#) urging EPA to extend public comment on the proposal to 180 days and conduct a Small Business Advocacy Review on impacts. EPA and the Corps this week issued a 90-day extension to October 20, 2014.

Appropriations Bills with Co-op Provisions Moving in House and Senate

We welcome language in the House FY15 Energy and Water bill that would block funding for the “Waters of the U.S.” proposal. A House Appropriations subcommittee approved the bill and it now goes to the full committee. The one-year delay would allow more time to get a permanent fix. A Senate Appropriations subcommittee’s rejection of proposed cuts for the Low Income Home Energy Assistance Program (LIHEAP) will keep funding at \$3.39 billion in the FY15 Labor-Health and Human Services bill. But, we urge Congress to provide at least \$4.7 billion.

House Letter Urges More Time for Comment on Critical Habitat Proposals

We thank 43 House members who signed a [letter](#) urging the Fish and Wildlife Service and National Oceanic and Atmospheric Administration to provide an additional six months for public comment on three Endangered Species Act proposals. House Natural Resources Chairman Hastings (R-WA) provided leadership on this issue. The proposed rules would significantly change how critical habitat is designated under ESA. If these proposals become final, they would expand ESA-affected acreage. We’re pushing for adequate time to review the proposals.

NRECA’s MultiSpeak® Gets Nod for Smart Grid Standards

I’m very proud that two versions of our [MultiSpeak®](#) computer software were overwhelmingly approved for the Smart Grid Interoperability Panel’s [Catalog of Standards](#). The stakeholder group adopted MultiSpeak 3.0 and MultiSpeak Security 1.0 for listing in the catalog also used by the National Institute of Standards and Technology and FERC. NRECA engineers and research staff have worked over 15 years on this software designed to help electric co-ops. Now large and small utilities in 19 countries use it in their daily operations.

FERC wants Court to Reconsider Ruling on Demand Response Regulation

FERC will ask a federal appellate court to reconsider its decision overturning the commission’s demand response regulation (Order No. 745). The appellate court is unlikely to change its ruling, but it’s a step that clears the way for a possible FERC appeal to the U.S. Supreme Court. We welcome Commissioner Tony Clark’s [statement](#) supporting the court’s decision. The court agreed with NRECA, Old Dominion Electric Co-op and others that FERC exceeded its authority and intruded on states’ jurisdiction in its 2011 demand response compensation rule.

Webinar Focuses on Next Steps for Cooling Water Intake Final Rule

Sign up for the June 26 [webinar](#) we’re co-hosting on EPA’s cooling water intake final rule. Power plants that withdraw at least 2 million gallons per day must meet new requirements to prevent fish from getting trapped on intake screens or sucked into cooling systems. Technical and legal experts will discuss compliance strategies to consider and the technical requirements.

Attached: Cybersecurity draft bill letter.